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July 9, 2004

## VIA HAND DELIVERY

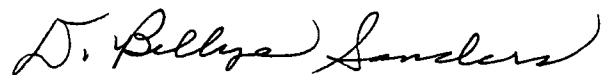
Pat Miller, Chairman  
C/O Sharla Dillon, Docket Manager  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, Tennessee 37219

Re: Chattanooga Gas Company Actual Cost Adjustment (ACA)  
Audit; Docket Number 03-00516  
Response of Chattanooga Gas Company to the Energy and  
Water Division's Compliance Audit Report

Dear Chairman Miller,

Enclosed you will find the original and thirteen copies of Chattanooga Gas Company's Response to the Energy and Water Division's Compliance Audit of the Actual Cost Adjustment Component of the Purchase Gas Adjustment Rule filed on June 4, 2004. Chattanooga Gas Company respectfully requests that the TRA reject the Staff's finding number 3 and reject recommendations 1 and 2 for the reasons set forth in its Response.

Sincerely,



D. Billye Sanders  
Attorney for Chattanooga Gas  
Company

DBS/hmd

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A PROFESSIONAL LIMITED LIABILITY COMPANY

July 9, 2004

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cc: Archie Hickerson  
Bryan Batson  
Elizabeth Wade, Esq.  
John Ebert, Esq.

BEFORE THE TENNESSEE REGULATORY AUTHORITY

NASHVILLE, TENNESSEE

July 9, 2004

IN RE:

|                              |   |                     |
|------------------------------|---|---------------------|
| CHATTANOOGA GAS COMPANY      | ) | Docket No. 03-00516 |
| ACTUAL COST ADJUSTMENT AUDIT | ) |                     |

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RESPONSE OF CHATTANOOGA GAS COMPANY TO THE ENERGY AND WATER  
DIVISION'S COMPLIANCE AUDIT REPORT

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Chattanooga Gas Company ("CGC" or the "Company") respectfully submits the following response to the June 4, 2004 *Notice of Filing by the Energy and Water Division of the Tennessee Regulatory Authority* ("Staff Audit Report" or "Report") in the above-captioned docket. The purpose of this response is to address Staff's Finding #3 and the corresponding Recommendations listed in Section IX.<sup>1</sup> On the basis of this response, and for the reasons discussed herein, CGC respectfully requests that the Tennessee Regulatory Authority ("TRA") reject Staff's Finding #3 and Recommendations #1 and 2.

**INTRODUCTION**

While Staff's Report is titled "*Compliance Audit Report of the Actual Cost Adjustment Component of the Purchased Gas Adjustment Rule for Chattanooga Gas Company*," the Staff extended the scope of its audit to include filings under the Interruptible Margin Credit Rider ("IMCR") provision of CGC's tariff. Report at 5. The Company concurs with the Staff's findings relative to the Actual Cost Adjustment

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<sup>1</sup> Staff's Report contains four Findings. CGC concurs with Findings # 1, 2 and 4.

("ACA") filing, but does not agree with Finding # 3 that deals exclusively with the filings and sharing under its IMCR tariff provision.

At the outset, CGC would like to emphasize that it has worked very hard to communicate with the TRA Staff and to ensure that both its past and current sharing arrangements comply with its IMCR tariff provision *and* provide the most benefits to its ratepayers. Toward that end, CGC entered into the Gas Storage Asset Bailment Agreement with Sequent Energy Management, LP ("Sequent") on May 1, 2001 (the "Agreement"). Under the Agreement, which was effectively an "off-system" sale as provided in the tariff, Sequent agreed to pay CGC \$300,000 annually that was to be credited to CGC's ratepayers *even if Sequent lost money*. AGL Services Company's ("AGLS") former Director of Rates and Regulatory Analysis conducted a thorough review of prior off-system sales and determined that \$300,000<sup>2</sup> represented a reasonable sharing of the potential gains based on history and the market conditions as known at that time. This bailment fee was also reviewed for reasonableness by an independent auditor, Deloitte and Touche, and found to be reasonable (See Attachment A).

To ensure that the TRA was fully informed of the bailment transaction, representatives of CGC and Sequent met with the TRA Staff in 2001 (as noted in Mr. Hal Novak's June 23, 2004 Memorandum and Notice of Conflict to the TRA directors, Attachment P), to discuss the bailment and the \$300,000 annual credit that would be provided to CGC's customers in accordance with the IMCR tariff provision in place at that time. Subsequently, CGC pointed out the bailment and annual sharing in its March

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<sup>2</sup>This \$300,000 annual payment was equivalent to sharing \$600,000 gain from off-system sales. At that time, CGC's IMCR tariff provided that CGC share 50% of gain from off-system sales if such sales occur. The rider did not provide for the sharing of gain from any other non-jurisdictional transactions that utilize such assets.

25, 2002 IMCR filing (Attachment B) and again in its May 27, 2003 filing (Attachment C).

During the time the Agreement was in place, CGC continued to monitor the market. When it became apparent in late 2002 that changing market conditions warranted a new arrangement, CGC, on its own initiative, undertook to eliminate the bailment relationship effective December 31, 2002. In early 2003 Sequent implemented a new system that allowed it to track the revenue generated from each utility's assets separately. After a thorough analysis and discussions with the Staff, in June 2003 CGC amended its tariff retroactively in order to maximize credits for its ratepayers. The amended tariff made all transactions with non-jurisdictional customers beginning January 1, 2003 subject to sharing, not just the off-system sales as provided under the previous tariff (See Tariff, attached as Attachment D, and Letter from Staff approving the Tariff, attached as Attachment E).

Despite CGC's efforts to keep the Staff informed and to ensure there was no question concerning compliance with the tariff, the Staff now contends that the bailment arrangement and fee did not comply with CGC's IMCR tariff, that the Authority should consider sanctions and/or penalties against CGC for failure to document off-system sales margin; and that CGC should be required to develop a reasonable method for re-calculating the IMCR credits for January 2002-December 2002.

First, with respect to whether the arrangement violated CGC's tariff, it is important to note that until this Report, the TRA Staff or the agency *never* questioned the treatment of the bailment as an off-system sale under the IMCR provision in the tariff or questioned the fairness of the level of the credit to CGC's customers. Moreover, as is

more thoroughly outlined below, CGC repeatedly informed the Staff of this arrangement and the Staff never expressed any dissatisfaction. Had the Staff indicated to the Company its concerns in a timely manner, CGC could have forgone or terminated the bailment. Ultimately, the Staff did not object to the Agreement and the fixed payment because it *was* in the best interest of the ratepayers at the time.<sup>3</sup> CGC is perplexed by the Staff's sudden change of heart.<sup>4</sup>

Even more disturbing is Staff's recommendation that CGC be required to recalculate the IMCR credits for January 2002-December 2002 in light of the Staff's treatment of a similar situation in its *Compliance Audit Report of Nashville Gas Company's Incentive Plan Account* in Docket No. 03-00489 (March 24, 2004) ("Nashville Gas Audit Report") (Attachment F). In that docket, the Staff argued it was an error to include the "asset management payment" for sharing under Nashville Gas Company's Incentive Plan because the tariff did not provide for an asset management fee. Nashville Gas Audit Report at 13. Moreover, Staff complained that Nashville Gas Company was unable to provide the basis for the amount of the fee and "logic dictates that the asset manager is making profits well in excess of the payment made to Nashville." *Id* However, the Staff concluded that "the Company acted in good faith by

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<sup>3</sup> In fact, CGC met with the Staff before terminating the Agreement. Although Staff now complains that the fixed payment was inappropriate, at the time Staff expressed concern over CGC's decision to terminate the Agreement because CGC would not be guaranteed a payment under its tariff

<sup>4</sup> Staff now claims that "*until the current audit period* Staff was still operating under the impression that the \$300,000 fee met the threshold of a 50/50 sharing of off-system sales margin " Report at 13 (Emphasis added) While the Staff was aware of the annual payment since 2001, had reviewed the IMCR credit filings for 2002 and 2003, had completed previous ACA audits, and had reviewed and in the letter of July 15, 2003 approved CGC's revised IMCR tariff provision, (Attachment E) the Staff now explains its determination that the fee may have been unreasonable for the January 1, 2002 – December 1, 2002 time period is based on a review of the results of the sharing under the new tariff provision that was implemented at the request of CGC effective January 1, 2003 However, as will be discussed later in this response, an analysis of the 2003 activity compared with the 2002 activity shows that the \$300,000 credit provided to CGC's customers was fair and reasonable

including this payment for the current year under audit, *based on past decisions of this Authority.*” *Id.* Emphasis added. As such, the Staff recommended that Nashville Gas Company eliminate the payment on a going forward basis, but did not recommend sanctions or a re-calculation of the credits. *Id.* CGC does not understand why the Staff is recommending the exact opposite with respect to the bailment fee. CGC clearly acted in good faith. The Company met with the Staff and discussed the bailment Agreement and payment, and identified and included the bailment fee under its IMCR filing in accordance with the tariff provision based on Staff’s failure to express any concern with the arrangement on multiple occasions. This disparate treatment seems particularly incredible in light of the fact that CGC, on its own accord, eliminated the fixed bailment fee effective December 2002.

Moreover, in addition to recalculating its IMCR credits, the Staff argues that CGC should be penalized because Sequent did not separately track the revenue generated from Sequent’s management of CGC’s assets. As CGC previously explained in data request responses, Sequent did not track this information due to the nature of the Agreement and the bailment fee.<sup>5</sup> It is simply unfair for Staff to acquiesce in the very arrangement that resulted in Sequent not maintaining such records and then attempt to argue this lack of records somehow warrants sanctions and/or penalties.<sup>6</sup> CGC is committed to working with the Staff, but it should not be penalized for acting in good faith.

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<sup>5</sup>Sequent did track the volumes, however, there is no correlation between volumes and revenues. As is more thoroughly explained in this response, after CGC ended the bailment arrangement and fee, Sequent did in fact put systems in place to track such revenue.

<sup>6</sup>In addition, in the Nashville Gas Audit Report the Staff failed to recommend sanctions and/or penalties for Nashville Gas Company’s failure to maintain records supporting the asset management payment.

Finally, CGC's commitment to ensuring that ratepayers receive the appropriate credit under the Purchased Gas Adjustment Rule ("PGA Rule") is evidenced in the Staff's Report. Indeed, the TRA Staff determined that "except for the findings noted herein, the Purchased Gas Adjustment mechanism, as calculated in the Actual Cost Adjustment, appears to be working properly." Report at 1. Moreover, the monetary findings associated with Staff's Findings for Items #1, 2 and 4 are "not material." *Id.* CGC concurs with Staff's Findings with respect to these items. However, Staff's Finding for Item #3 with respect to the Agreement and the bailment fee misses the mark.

CGC responds to each of Staff's Audit Recommendations as follows:

**I. Staff Audit Recommendation #1**

The Authority should consider sanctions and/or penalties against Chattanooga for failure to document off-system sales margin in order to comply with the terms of its IMCR tariff.

**Response:**

Sanctions or penalties are not warranted because CGC did not violate its IMCR tariff by failing to keep documentation of revenue generated from Sequent's management of CGC's assets. The bailment was effectively an "off-system" sale under the IMCR tariff provision. The \$300,000 annual credit to the customers (which was equivalent to a \$600,000 gain from individual "off-system" sales) was developed by AGLS's former Director of Rates and Regulatory Analysis, and as explained to the Staff, satisfied the sharing provisions of the IMCR tariff; thus, it was unnecessary for Sequent to separately track the revenue generated from Sequent's management of CGC's assets. Staff never indicated to the contrary during the time the Agreement was in place.



Significantly, CGC made certain that Staff was aware of the Agreement and the fee CGC met with the Staff and discussed the arrangement in 2001. Moreover, in a March 25, 2002 filing to credit customers for gains under the IMCR<sup>7</sup> (Attachment B), CGC again informed the Staff of the Agreement and its terms<sup>8</sup> and treated the Agreement as an "off-system" sale in accordance with the IMCR provision of the tariff. Under that filing CGC implemented a credit to refund to ratepayers the payments from Sequent for the period of May 1, 2001 through December 2001. On March 26, 2002 the Staff responded to the filing and acknowledged:

Also included in this filing is an IMCR refund consisting of Off-System Sales profits (50% of which is refunded to the customers), **payments received through the Company's Asset Management Agreement**, and the balance of the prior 99-00 IMCR. **I have reviewed this filing and it appears to be correct** (Attachment G). (Emphasis Added)

The Staff made no mention of a concern with the Agreement, the fee, or the treatment of the Agreement as an off-system sale. Likewise, the arrangement with Sequent remained in place during the July 2001-June 2002 period that was previously audited by the Staff. On May 27, 2003 CGC again filed to credit its customers the \$300,000 fee for the period of January 2002 through December 31, 2002 (See Attachment C) In that filing, the bailment arrangement and fee was again identified and treated as an "off-system" sale in accordance with the IMCR tariff, and a credit implemented to refund the payment to CGC's customers. On June 16, 2003 the Staff responded and stated:

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<sup>7</sup> The filing was initially made on February 28, 2002. The filing was later amended.

<sup>8</sup> "In addition, effective May 1, 2001, the Company entered into an Asset Management Agreement with its affiliate, Sequent Energy Management, L P. Under the Asset Management Agreement, the Company assigns its firm pipeline capacity, storage, and supply rights to the Asset Manager in exchange for an annual fee of \$300,000 to be paid in equal monthly payments of \$25,000 per month." March 25, 2002 letter to Mrs. Pat Murphy, TRA Energy and Water Division, from Earl Burton, Manager Rates/Marketing, CGC (Attachment B)

This is to acknowledge receipt of your letter dated May 27, 2003, enclosing PGA/Tariff filing revision for Chattanooga Gas Company. The tariff revision was made to reflect the termination of the current Actual Cost Adjustment (ACA) factors and the Interruptible Margin Credit Rider (IMCR) refund credits. It also implements a new IMCR refund credit for calendar year ended December 31, 2002. **I have reviewed this filing and it appears to be in order.** Therefore, the rates contained therein are approved to be effective July 1, 2003. (Emphasis added)

Subsequently, on June 30, 2003 the Staff issued a data request again acknowledging the Agreement and asked:

Item 7. Please quantify the benefits to Chattanooga's customers under the new tariff language, **as compared to the \$300,000 payment from Sequent under the Asset Management Agreement.** What would the benefit have been during the calendar year 2002? What is it projected to be during calendar year 2003? <sup>9</sup>(Emphasis added)(See Attachment H)<sup>10</sup>

While the Staff had been advised of the bailment Agreement during the 2001 meeting, had been notified of the Agreement again in the March 25, 2002 IMCR filing and again in the May 27, 2003 IMCR filing, as well as in discussions and the data request concerning the revised IMCR tariff provisions effective January 1, 2003, no mention of any concern or alleged tariff violation was communicated to the Company until the draft ACA Audit Report for the twelve months ended June 30, 2003 was provided to the Company on May 24, 2004.

Based on the very open nature of this process and the lack of any communications to the contrary from the Staff or any such findings in any previous audit, CGC is completely taken aback that Staff is now suggesting that sanctions or penalties are appropriate. CGC acted in good faith in keeping the Staff informed of the implementation of the bailment Agreement and its subsequent termination. Perhaps

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<sup>9</sup> June 30, 2003 e-mail and letter from Mrs. Pat Murphy, Senior Financial Analyst, Energy and Water Division Tariff Filing No. 03-00408

<sup>10</sup> CGC Responded on July 10, 2003. See Attachment I. Based on this response, the Staff was aware that CGC did not separately document revenue generated from Sequent's management of CGC's assets

there may have been some miscommunication or misunderstandings within the Staff due as a result of having had four different Energy and Water Division Chiefs and one interim Chief in the past three years. However, it is simply unfair for CGC to be penalized for any such misunderstanding. If Staff had informed CGC of its concerns at any time, CGC would have gladly worked with the Staff to resolve any issues.

## **II. Staff Audit Recommendation #2**

The Authority should instruct Chattanooga to provide a reasonable method to determine a fair amount that should be refunded to Chattanooga customers for the use of the assets they have paid for during the period January 2002 through December 2002. Should the Company be unable or unwilling to provide a reasonable method, Staff recommends that Chattanooga customers be refunded 50% of the gross margin on all transactions that Sequent engaged in using all assets at its disposal during this period.

### **Response:**

As previously explained, the bailment was an “off-system” sale that effectively produced a \$600,000 gain under the IMCR tariff provision that remained in effect until January 1, 2003. The \$300,000 fee credited to CGC’s customers reflected a fair and reasonable payment based on the market conditions as known at the time. The Staff never informed CGC of any concern that the annual payment did not satisfy CGC’s sharing obligations under its IMCR tariff. Had the Staff indicated to the Company its concerns in a timely manner, CGC could have forgone or terminated the bailment Agreement, the guaranteed annual credit of \$300,000 and continued to handle the individual “off-system” sales transactions as it had in the past. Believing in good faith that the TRA had no concern with the bailment Agreement, neither CGC nor Sequent maintained the detailed records to allow the calculation of the gain from individual “off-system” sales from May 1, 2001 through December 31, 2002. Moreover, consistent

with the Staff's Nashville Gas Audit Report, even if the TRA finds the fixed bailment fee was inappropriate, the proper remedy is to eliminate it on a going forward basis, which CGC has already undertaken.

Nevertheless, CGC provides the following analysis that illustrates that the \$300,000 payment in 2002 was fair and reasonable. In the Report, the Staff points to the approximately \$1.3 million credit for 2003 non-jurisdictional transactions and implies that the payment in 2002 should have been greater than \$300,000. While on the surface such a comparison may appear to support the Staff's position, an actual comparison of the result from CGC affiliates in other jurisdictions reveal that market conditions and the resulting gain realized differed greatly for the two years.<sup>11</sup>

Under the provisions of an agreement with Virginia Natural Gas, Inc. (VNG), Sequent manages the assets and shares the gain from transactions that rely on VNG's gas supply assets with VNG's customers. Under that agreement, the gain from the use of such assets was tracked in both 2002 and 2003 using a procedure that is consistent with the procedure now in place for CGC. For calendar year 2002, the total gain from the use of VNG's assets subject to sharing was \$1,402,487.96. The change in the market conditions and activity, however, resulted in an increase in the gain to \$4,744,429.25<sup>12</sup> in 2003. The 2002 gain therefore was only 29.6% of the shareable gain in 2003 (\$1,402,487.96 ÷ \$4,744,429.25 = 29.6%).

Correspondingly, in 2003 CGC shared \$1,260,974 under the current tariff that provides for sharing gain from all transactions, not just off-system sales. Since CGC and

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<sup>11</sup> CGC met with the Staff on June 17, 2004 and provided the support for this analysis to the Staff at that meeting.

<sup>12</sup> The difference in the gain for CGC and VNG is reflective of the difference in the size of the operations and the underlying supply assets. CGC serves approximately 59,000 customers while VNG serves approximately 251,000 customers.

VNG operate under similar market conditions, it is reasonable that CGC's shareable gain in 2002 would have been a similar relative percentage of the 2003 gain as VNG's.

(29.6% X \$1,260,974 = \$373,248). While the computed \$373,248 is somewhat greater than the \$300,000 credited to its customers, it should be recognized that the \$1,260,974 for 2003 was for the gain from all transactions supported by CGC's gas supply assets, not just off-system sales as provided under the tariff effective prior to January 1, 2003.

An analysis of the sharing by Atlanta Gas Light Company (AGLC) in Georgia produces similar results. For calendar year 2003 AGLC made a contribution to the Georgia Universal Service Fund (USF) of \$4,681,076 which was 50% of the gain from transactions that rely on AGLC's gas supply assets. In its December 24, 2002 Order in Docket 16193, the Georgia Public Service Commission adopted a Universal Service Fund Audit report that found the corresponding contribution for calendar year 2002 to be \$996,123 or 21.3% of the shared gain for calendar year 2003. (\$996,123 ÷ \$4,681,076 = 21.3%) Since AGLC's gas supply assets are also managed by Sequent in the same manner as CGC's, it is again reasonable that CGC's shareable gain in 2002 would have been a similar relative percentage of the 2003 gain as was AGLC's. (21.3% X \$1,260,974 = \$268,588) This computed share is somewhat less than the \$300,000 that was credited to CGC's customers.

|                                  |                         |
|----------------------------------|-------------------------|
| Computed Share Based On VNG      | \$373,248 <sup>13</sup> |
| Guaranteed Payment per Agreement | \$300,000               |
| Computed Share Based on AGLC     | \$268,588               |

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<sup>13</sup> (Attachment O)

It should be recognized that the analysis above is based on data that became available after the fact and included gain from activity that was not anticipated under the IMCR tariff in effect in 2002 and earlier, while the \$300,000 annual payment provided for in the bailment Agreement was based on off-system sales for the period of July 1, 1998 through June 30, 2000. During this period, the average monthly sharing amount was \$13,144.58 or approximately \$157,000 per year. For the twelve months ended June 30, 1999 the customer's share was approximately \$103,000 and for the twelve months ended June 30 2000 it was \$212,000.<sup>14</sup> Rather than using the \$157,000 as the annual credit, the annual credit was increased to \$300,000 to reflect possible increase in the gain as a result of Sequent's ability to generate additional activity. The July 1998 through June 2000 time period was selected because it reflected the normal conditions and the reasonably anticipated level of activity in the immediate future. After AGLC's<sup>15</sup> purchase of CGC, AGLC's and CGC's gas purchases and supply assets were managed in a coordinated manner in order to maximize efficiency. In 1998, AGLC exited the retail natural gas market when the market was deregulated in Georgia. With fewer assets to coordinate, the corresponding opportunities for CGC's off-system sales declined below the levels that had occurred in prior years. Since periods prior to 1998 did not reflect current normal conditions, the period of July 1998-June 2000 was used to determine the expected opportunity for gain from off-system sales. As an additional assurance of the

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<sup>14</sup> In the Report the Staff points out that the sharing for the period of July 2000 – April 2001 was \$909,000. This information was provided to the Staff in the November 17, 2000 ACA/IMCR filing (Attachment M) and the March 25, 2002 filing (Attachment B). While the Staff had this information since March 2002, it first addressed the issue in the current ACA audit report. A review of the July 2000-April 2001 period shows that July 2000 was an abnormal month. For that month the customers' share of the gain was \$508,061. When this month is excluded, the annual average sharing for the period of July 1998 through April 2001 was approximately \$261,000 (Attachment N).

<sup>15</sup> AGLC was CGC's parent company until October 2000 when the holding company, AGL Resources, became the parent of both AGLC and CGC.

reasonableness of the bailment fee, AGL Resources Inc. engaged the firm of Deloitte & Touche to evaluate the reasonableness of the bailment fee. As stated in Attachment A, the firm found the payment to be reasonable.

### **III. Staff Audit Recommendation #3**

The Company should be instructed to make sure a system is in place to track all transactions made using Chattanooga's assets going forward.

#### **Response:**

CGC is already complying with this recommendation. On June 16, 2003 CGC filed the Sixth Revised Sheet No. 48 of its tariff that provides that the gain from all transactions, not just off-system sales, are to be shared 50/50 with its customers (Attachment D). On July 15, 2003 the Staff issued a letter approving the tariff revision effective January 1, 2003 (Attachment E). When CGC terminated the Agreement in December 2002, Sequent implemented a tracking system to document revenue generated from all transactions using CGC's assets. Information from this system was the basis of the February 27, 2004 filing referenced by the Staff on page 10 of the Report.

To avoid future conflicts and to ensure no misunderstanding, CGC hopes to meet with Staff to discuss how this system works

### **IV. Staff Audit Recommendation #4**

Considering the confusion arising in this audit over the use of an affiliated asset manager, the Authority should consider formalizing an amendment to the IMCR tariff addressing the basic requirements for affiliate agreements such as this one.

#### **Response:**

CGC is currently in the process of finalizing a new Asset Management Agreement, which will require Sequent to ensure that its payments for management of

CGC's assets are in accordance with CGC's amended IMCR tariff. As such, it is unnecessary for CGC to amend its tariff. CGC will provide this and any other such new Agreement for review.

**V. Staff Audit Recommendation #5**

Due to the complexity of current market conditions and the affiliate arrangement existing between Chattanooga and Sequent, the Authority should engage an outside consultant to assist Staff in future audits of Chattanooga's ACA Account and Incentive Plan. This consultant would work under the direction of the TRA Staff, with consulting fees paid for by Chattanooga and reimbursed by the ratepayers in the Actual Cost Adjustment.

**Response:**

If the TRA determines that its Staff does needs assistance with additional expertise to properly complete a review of the IMCR credits reflected in the ACA filing required under TRA Rule 1220-4-7-.03 (2), the Company does not object to the engagement of a qualified consultant to supplement the Staff. The Company, however, believes that it should be an active participant in the selection of such a consultant and that the consultant should be prohibited from disclosing confidential third party and/or trade secret data. Further, CGC does not object to Staff's proposed method of paying for and recovering the associated costs.

However, in this recommendation the Staff noted that the consultant should also be used to assist in the audit of CGC's "Incentive Plan " Unlike the other two major gas utilities under the TRA's jurisdiction, CGC does not have an "Incentive Plan" in place. The Company's tariff does include a Performance Based Ratemaking ("PBR") provision that provides for a waiver of the required consultant audit under TRA Rule 1220-4-7-.05 if gas purchases fall within specified benchmarks (Attachment J) As such, CGC would object to the consultant participating in an audit of its PBR filing to the extent its gas



purchases fall within the specified benchmarks. To find otherwise would negate the intent of the PBR . It should also be noted that the Staff expressed no concern relative to the complexity of the current market conditions, the affiliate arrangement, or the need for a consultant to assist the Staff in its annual review of CGC's annual PBR filing in its April 2004 *Compliance Audit Report of Chattanooga Gas Company's Incentive Plan Account*, Docket No. 03-00514.

#### **VI. Other Issues – Staff's Review of Supplier Invoices**

Staff contends that CGC's restriction on its ability to retain copies of third party supplier invoices to Sequent hindered its investigation and resulted in a limitation of the scope of the review. As CGC previously explained to Staff, it has no objection to providing copies of these documents to Staff under appropriate conditions. However, due to the highly confidential nature of the invoices that include unrelated third party data, public dissemination could result in a severe competitive disadvantage for Sequent and/or the unrelated third parties. In order to protect the data, CGC proposed to make the documents available at its counsel's office, and agreed to provide copies of the documents pursuant to a Protective Order. In discussions with the Company, the Staff agreed that if it had possession of the documents, the documents would be subject to public disclosure without a Protective Order. While the Staff initially indicated that a Protective Order was an option (Attachment K), it subsequently rejected the idea and suggested that copies be provided subject to a confidentiality agreement that the Staff itself agreed could not be enforced (Attachment L).

After a meeting with CGC's counsel, the Staff elected to review the invoices at the office of counsel for CGC rather than debate the appropriateness of a protective order

or pursue another method of protecting the confidentiality of the documents.. CGC allowed the Staff to review unredacted copies of the invoices and did not restrict the amount of time that Staff could have access to the data. CGC stood prepared to take the necessary steps to allow the Staff to review and analyze these documents on government premises, but could only do so with appropriate safeguards in place that would not violate its obligation to protect third party proprietary data. If additional time was needed by the Staff, the Company would have agreed to another extension of the date for completion of the audit as it had in response to the Staff's previous two requests for additional time. When the Staff's representatives finished their review of the documents at CGC's counsel's office, they did not indicate that the review and analysis was incomplete. After completing the review at the counsel's office, the Staff did not communicate a need for a more thorough review of the invoices until the final Report was provided on June 4, 2004. While the Staff had provided a draft of its findings on May 24, 2004, the discussion of the alleged scope limitation was not provided until the final report was issued. Until the report was received, CGC believed that the Staff was satisfied with the arrangement to review the documents at the counsel's office. It was the Staff that alleged that a Protective Order would be inappropriate, and the Staff that did not complete the necessary analysis when the documents were provided at CGC's counsel's office. Any inability to retain the documents, or to have sufficient time for review and/or analysis of the documents, was a result of Staff's actions, not CGC's.

CGC will continue to work with the Staff to ensure that it has the information it requires, subject to appropriate procedures for protecting the confidentiality of the documents.

## CONCLUSION

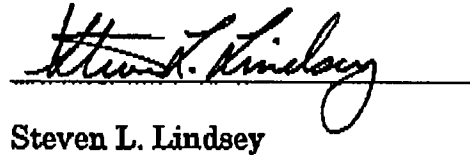
The facts are simple and undisputed. CGC informed the Staff of the Agreement in 2001, referred to the Agreement and identified the payment in filings to implement IMCR credits that were in periods that have previously been audited by the Staff. The Staff *never* indicated it had any problem with this arrangement. Moreover, CGC terminated the Agreement *on its own initiative* as soon as it determined that changing market conditions necessitated a new arrangement in order to maximize gain for ratepayers. As such, Staff's Recommendation #1 to impose sanctions and/or penalties for failure to maintain records is completely unwarranted and should be denied. The bailment was an off-system sale provided for under the IMCR tariff provision in effect prior to January 1, 2003, and CGC's customers received the proper credit for the period that the Agreement was in effect. In addition, due to the nature of the bailment agreement and Staff's failure to indicate it had any problem with this arrangement, neither Sequent nor CGC maintained records that could be used to calculate the revenue generated from Sequent's use of CGC's assets during January 2002-December 2002. However, CGC has clearly established that the bailment fee was appropriate and reasonable under the current market conditions at the time. Therefore, Recommendation #2 to require CGC to recalculate the IMCR credits for January 2002 – December 2002 should also be denied. Finally, CGC will continue to monitor the market and is committed to ensuring that the asset management arrangement remains in the best interest of its ratepayers.

VERIFICATION

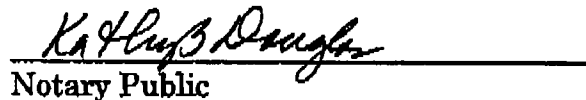
STATE OF TENNESSEE )

COUNTY OF HAMILTON )

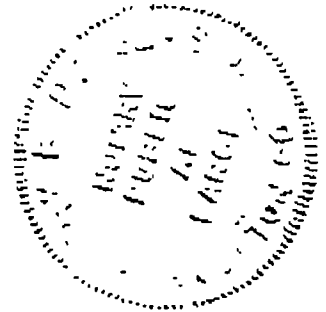
I, Steven L. Lindsey, being duly sworn state that I am the Vice President – Operations of Chattanooga Gas Company, that I am authorized to make this verification of behalf of Chattanooga Gas Company; that I have read the foregoing Response of Chattanooga Gas Company to the Energy and Water Division's Compliance Audit Report in Docket No. 03-00516 and know the content thereof; that the same is true and correct to the best of my knowledge, information and belief.

  
Steven L. Lindsey

Sworn and subscribed before me this 9<sup>th</sup> day of July, 2004

  
Notary Public

My Commission Expires : March 25, 2006



## List of Attachments

Attachment A- Deloitte & Touche Letter

Attachment B- March 25, 2002 IMCR Filing

Attachment C- May 27, 2003 IMCR Filing

Attachment D- Interruptible Margin Credit Rider Effective January 1, 2003 Tariff Sheet 48

Attachment E- Letter from Staff approving the Interruptible Margin Credit Rider Effective January 1, 2003, Tariff Sheet 48

Attachment F- Staff Audit of Nashville Gas Company's Incentive Plant Account (IPA)

Attachment G- March 26, 2002 Letter from Staff acknowledging receipt of February 28, 2002 IMCR filing

Attachment H- E-mail and June 30, 2003 Data Request relative to the Revised IMCR tariff filing

Attachment I- CGC's Response to Staff's June 30, Data Request

Attachment J- CGC Tariff Sheet 56 Performance-Based Ratemaking (PBR)

Attachment K- E-mail from Pat Murphy- indicating agreement for Protective Order

Attachment L- E-mail from Pat Murphy- Rejecting Protective Order proposal and proposing confidentiality agreement

Attachment M- November 17, 2000 ACA, Supplier Refund, and IMCR filing

Attachment N- Computation of average Off-System sale credit June 1998-April 2001

Attachment O- Comparison of VNG and AGLC Sharing with CGC for 2002 and 2003

Attachment P- Hal Novak June 23, 2004 Memorandum Notice of Conflict

## Attachment A

Deloitte & Touche LLP  
Suite 1600  
Chase Tower  
2200 Ross Avenue  
Dallas Texas 75201 6778

Tel (214) 840 7000  
www.us.deloitte.com

2 12 02  
fwd'd to L70

**Deloitte  
& Touche**

June 14 2001

Mr Richard O'Brien  
Chief Financial Officer  
AGL Resources  
P O Box 4569  
Atlanta, GA 30302

Dear Mr O'Brien

Deloitte & Touche LLP ("D&T") has completed certain consulting services for the Chattanooga Gas Company ("CGC") in connection with CGC's efforts to complete a bailment agreement with Sequent Energy Management ("Sequent"), pursuant to our engagement letter dated May 25, 2001. This letter represents our report on the services performed.

### Background

As discussed in the aforementioned engagement letter, Deloitte & Touche performed a set of procedures agreed-upon with CGC, subject to a number of underlying assumptions, all of which were discussed at length with, and approved by, CGC. Data reviewed included:

- Asset volume
- Asset utilization assumptions
- Price curve data

Data used in the calculation process was provided by CGC and/or Sequent personnel. Where data was provided by Sequent, CGC has reviewed the data for accuracy and approved its use in this engagement. The personnel involved in the gathering of data and/or review of agreed-upon procedures and assumptions throughout this engagement were as follows:

#### CGC Personnel

Sue McLaughlin  
Richard Rogers  
Robert Stallings  
Ernie Brake  
Steve Moore

#### Sequent Personnel

George Grey  
Brad Freeman

#### AGLR Personnel

Richard O'Brien  
Beth White  
Mark Caudill

#### AGLS Personnel

Suzanne Sitherwood  
Katrina Odom

The analysis was to provide information to CGC that, along with other considerations outside this engagement, would assist CGC in the determination of the reasonable fees to be paid CGC by Sequent under the terms of the bailment agreement. As such, the procedures were performed, incorporating the approved data and assumptions, and were completed on June 13, 2001.

**Deloitte  
& Touche  
Tohmatsu**

9/02 09.07 FAX 404 584 4909

BETH WHITE

002

AGL Resources

June 14 2001

Page 2 of 2

**Results**

The analysis and calculations resulted in an estimate of a market value rate for the use of the CGC assets included within the bailment agreement consistent with CGC's original figure of USD \$300,000 for the first year of the agreement, stipulated as May 1, 2001 - April 30, 2002

**Additional Considerations**

As contained in the bailment agreement, the estimated value rate for the use of the assets is to be reviewed each year by CGC to determine if the fee paid CGC by Sequent is appropriate. As this is the first year of the agreement, assumptions as to the utilization of the assets had to be developed by CGC and Sequent without representative history being available to quantitatively and/or qualitatively support planned utilization assumptions. Accordingly, it is likely the methodology utilized in connection with future annual evaluations will include historical utilization information in the determination of adjustments to market value rates for the assets subject to the bailment agreement.

Yours truly,

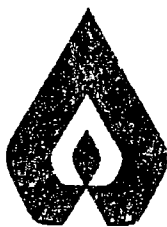
*Deloitte & Touche LLP*

Deloitte & Touche LLP  
By H Joe Wells, Partner

cc Ms. Susan McLaughlin



## **Attachment B**



Chattanooga Gas Company / 6125 Preservation Drive/ Chattanooga TN 37416

March 25, 2002

Amended Filing

Mr. Pat Murphy  
Tennessee Regulatory Authority  
Energy and Water Division  
460 James Robertson Parkway  
Nashville, TN 372430-0505

Dear Ms. Murphy,

Pursuant to the Tennessee Regulatory Authority's Rules and Regulations, Chattanooga Gas Company, or the "Company", hereby files two (2) amended copies of the following revisions to Chattanooga Gas Tariff No. 1

Seventieth Revised Sheet No. 53  
Sixty-Eighth Revised Sheet No. 55

We propose an effective date of April 1, 2002. The net cost of gas filed herein reflects the Company's anticipated cost of natural gas for the month of April. The Company proposes to use a price of \$4.42/mcf for gas costs which reflects the approximate WACOG storage gas costs that the Company projects as the primary supply for the month of April 2002. Higher withdrawals from the Company's storage are necessary to manage cost and to replace storage gas with lower gas costs for future benefit to the Company's ratepayers. Additionally, the Company's deferred gas account is currently in a considerable under-collection position and the Company wants to avoid any further undercollections for the remaining ACA year.

This filing also contains the Company's refund of 50% of the total value earned through Off-System Sales from October 1, 2000 through April 30, 2001 in the amount of \$275,140.92. The detail of the Off-System Sales calculation is provided in Attachment A. Historically, this filing has taken place within 60 days of the close of the Company's fiscal year. However, effective October 1, 2001, the Company changed its reporting from a fiscal year ending September 30, to a calendar year basis. Because of this change, the Off-system Sales Report which was previously filed by November 30, has been delayed until now to coincide with the 60 day requirement. As a result we have also extended the time period on which interest on refunds due to customers is calculated.

In addition, effective May 1, 2001, the Company entered into an Asset Management Agreement with its affiliate, Sequent Energy Management, L.P. Under the Asset Management Agreement, the Company assigns its firm pipeline capacity, storage, and supply rights to the Asset Manager in exchange for an annual fee of \$300,000 to be paid in equal monthly payments of \$25,000 per

Page 2

Ms Pat Murphy

March 25, 2002

month The Company asserts that the annual payment received from the asset manager is approximately 50% greater than the amount credited to the customers for the twelve months ended June 2000, and 200% greater than that for the twelve months ended June 1999 for Off-system Sales. Even though the gas supply assets have been assigned to the Asset Manager, the Company still retains the right to call on the gas supply from the asset manager for its city gate needs

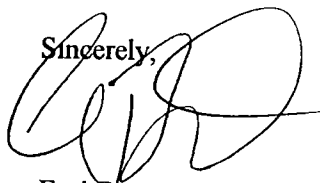
consistent with its rights as they existed prior to their assignment to the asset manager. The Asset Manager's monthly payment is solely for the value acquired for utilization of the released assets when they are not needed by the Company.

Because the Company has entered into an agreement with an affiliate to manage its un-utilized capacity and storage assets, we also contracted with the accounting firm of Deloitte and Touche ("D&T") for the purpose of performing an independent valuation on the Asset Management Agreement. D&T's valuation report affirms that the \$300,000 annual fee paid to the Company is consistent with the market value for the use of these assets. A copy of D&T's valuation report, as well as D&T's memorandum of services to be performed, is attached to this filing. This filing therefore includes \$200,000 from the Asset Management fees for the period of May 1, 2001 through December 31, 2001 as detailed in Attachment B.

A total of the Off-system Sales revenues, Asset Management fees, and accrued interest through December 1, 2001 is itemized on page 14 of this PGA filing. Additionally, the refund includes an IMCR balance from the prior 99-00 IMCR refund that was discontinued in November 2001. This outstanding balance has been added to this filing and is itemized on Page 13.

Should there be any questions, I will be please to discuss this filing in further detail with you.

Sincerely,



Earl Burton P E

Manager of Rates/Marketing

CC Mr Dan McCormac  
Mr Archie Hickerson  
Ms Amanda Hwang  
Mr Hal Novak  
Ms Felicia McKinley  
Mr Russell T Perkins

**Chattanooga Gas Company**  
**Off-System Sales**

Attachment A

| Year | Month     | Volume  | Revenue      | Cost         | Profit     | Customer Share |
|------|-----------|---------|--------------|--------------|------------|----------------|
| 2000 | Adj 09/00 | (1,000) | (4,797 50)   | (4,757 06)   | (40 44)    | (20 22)        |
|      | October   | 8,215   | 44,934 41    | 44,512 53    | 421 88     | 210 94         |
|      | November  | 301,969 | 1,441,601 42 | 1,400,442 57 | 41,158 85  | 20,579 42      |
|      | December  | 86,632  | 578,000 24   | 509,981 66   | 68,018 58  | 34,009 29      |
|      | Adj 12/00 |         |              | 2,183 00     | (2,183 00) | (1,091 50)     |
| 2001 | January   | 37,635  | 416,996 27   | 380,411 35   | 36,584 92  | 18,292 46      |
|      | February  | 204,425 | 1,361,490 71 | 1,173,541 28 | 187,949 43 | 93,974 72      |
|      | March     | 229,321 | 1,242,677 78 | 1,031,720 37 | 210,957 41 | 105,478 71     |
|      | April     | 75,000  | 421,672 50   | 414,258 30   | 7,414 20   | 3,707 10       |
|      |           |         | 5,502,575 83 | 4,952,294 00 | 550,281 83 | 275,140 92     |

**Chattanooga Gas Company**  
**Asset Management Fees**

**Attachment B**

| <b>Year</b> | <b>Month</b> | <b>Asset Mgt<br/>Fee</b> | <b>Customer<br/>Share</b> |
|-------------|--------------|--------------------------|---------------------------|
| 2001        | May          | \$ 25,000 00             | \$ 25,000 00              |
|             | June         | \$ 25,000 00             | \$ 25,000 00              |
|             | July         | \$ 25,000 00             | \$ 25,000 00              |
|             | August       | \$ 25,000 00             | \$ 25,000 00              |
|             | September    | \$ 25,000 00             | \$ 25,000 00              |
|             | October      | \$ 25,000 00             | \$ 25,000 00              |
|             | November     | \$ 25,000 00             | \$ 25,000 00              |
|             | December     | \$ 25,000 00             | \$ 25,000 00              |
|             | Total        | \$ 200,000 00            | \$ 200,000 00             |

**COMPUTATION OF PURCHASED GAS ADJUSTMENT  
TO BECOME EFFECTIVE**

**April 1, 2002**

**INDEX**

**Page**

|    |  |
|----|--|
| 1  | Computation of Current Cost of Gas   |
| 2  | LNG Computation  |
| 3  | Detail of Rates for Calculation of Firm Commodity<br>Gas Daily Futures Pricing   |
| 3b | Detail of Rates for Calculation of Interruptible Commodity   |
| 4  | Analysis of Average Storage Costs  |
| 5  | Detail of Pipeline Rates and Surcharges  |
| 6  | Computation of Purchased Gas Adjustment and Allocation to Rate Classes   |
| 7  | Tariff Sheet No 53<br>- Current Level of Purchased Gas Adjustment  |
| 8  | Tariff Sheet No 55<br>- Current Level of Surcharges and Refund Credits   |
| 9  | Schedule of Sales by Rate Class  |
| 10 | Computation of Adjusted Pipeline Purchases and Average BTU Adjustment  |
| 11 | Revised Individual Tariff Summary - Base Margin Rate (11-1-98) and<br>Current Cumulative PGA, Refunds and Surcharges (03-1-02) |
| 12 | Allocation of IMCR refund refund to rate classifications   |
| 13 | IMCR Refund Balance from Prior IMCR refund   |
| 14 | Off System Sales Revenue/Management Fee Revenue  |
| 15 | D&T Valuation and Agreement  |

Filed March 1, 2002

## CHATTANOOGA GAS COMPANY

Page 1

## COMPUTATION OF CURRENT COST OF GAS

BASED ON VOLUMES FOR TWELVE MONTHS ENDED

Dec 31 2001

PGA Filing Effective Date

April 1 2002

## FIRM COST (D)

| <u>Supplier</u>                               | <u>Current<br/>Rate</u> | <u>Total<br/>Volume<br/>BT</u> | <u>Monthly<br/>Charge</u> | <u>Number<br/>of<br/>Months</u> | <u>Gas Cost</u> |
|---|-------------------------|--------------------------------|---------------------------|---------------------------------|-----------------|
| TENNESSEE                                     |                         |                                |                           |                                 |                 |
| FT Reservation Charge                         | \$5 61000               | 39 792                         | \$223 233                 | 12                              | \$2 678,796     |
| FS Storage - Production Area - Deliverability | \$2 02000               | 13 659                         | \$27 591                  | 12                              | \$331 092       |
| FS Storage - Production Area - Space          | \$0 02480               | 2 042 390                      | \$50 651                  | 12                              | \$607 812       |
| FS Storage - Market Area - Deliverability     | \$1 17000               | 7 741                          | \$9 057                   | 12                              | \$103 684       |
| FS Storage - Market Area - Space              | \$0 01870               | 852 287                        | \$15 938                  | 12                              | \$191 256       |
| EAST TENNESSEE                                |                         |                                |                           |                                 |                 |
| FT-A Demand                                   | \$7 39000               | 46 350                         | \$342 527                 | 12                              | \$4 110 324     |
| CNG GSS Storage - Demand                      | \$0 00000               | 0                              | \$0                       | 0                               | \$0             |
| CNG GSS Storage - Capacity                    | \$0 00000               | 0                              | \$0                       | 0                               | \$0             |
| Note (Contract for CNG storage cancelled)     |                         |                                |                           |                                 |                 |
| SOUTHERN                                      |                         |                                |                           |                                 |                 |
| FT Reservation Charge                         | \$11 28470              | 13 221                         | \$149 195                 | 12                              | \$1 790 340     |
| FT-NN Reservation Charge                      | \$11 28470              | 14 346                         | \$161 890                 | 12                              | \$1 942,680     |
| CSS Storage - Deliverability                  | \$1 54400               | 14 346                         | \$22 150                  | 12                              | \$265,800       |
| CSS Storage - Capacity                        | \$0 02834               | 710 484                        | \$20 135                  | 12                              | \$241 620       |
| TOTAL FIRM COST                               |                         |                                |                           |                                 | \$12,268 404    |

## COMMODITY COST (P)

| <u>Supplier</u>                 |        | <u>Current<br/>Rate</u> | <u>Annual<br/>MCF</u> | <u>Company<br/>Use</u> | <u>Total MCF<br/>Available</u> | <u>Current Annual<br/>Gas Cost</u> |
|---------------------------------|--------|-------------------------|-----------------------|------------------------|--------------------------------|------------------------------------|
| EAST TENNESSEE                  |        |                         |                       |                        |                                |                                    |
| FT                              | (a)    | \$4 78555               | 5 032 561             | (4 869)                | 5 027 692                      | \$24,060 261                       |
| FS Storage Injection            | (a)(c) | \$4 60708               | (1 415 626)           | 1 370                  | (1 414 256)                    | (\$6 515 592)                      |
| FS Storage Withdrawal           | (a)    | \$5 26484               | 1 087 698             | (1 052)                | 1 086,646                      | \$5 721 017                        |
| CNG Storage Injection           | (a)(c) | \$0 00000               | 0                     | 0                      | 0                              | \$0                                |
| CNG Storage Withdrawal          | (a)    | \$0 00000               | 0                     | 0                      | 0                              | \$0                                |
| TOTAL EAST TENNESSEE            |        |                         | 4 704 633             | (4 551)                | 4 700 082                      | \$23 265 686                       |
| SOUTHERN                        |        |                         |                       |                        |                                |                                    |
| FT                              | (b)    | \$5 18642               | 2 984,552             | (2 888)                | 2,981 664                      | \$15 464 162                       |
| IT and Purchase of End-User Gas | (b)    | \$2 30000               | 253,993               | (246)                  | 253,747                        | \$583 618                          |
| CSS Storage Injection           | (b)(c) | \$5 04997               | (417 813)             | 404                    | (417,409)                      | (\$2 107,901)                      |
| CSS Storage Withdrawal          | (b)    | \$5 59223               | <u>670,350</u>        | <u>(649)</u>           | <u>669,701</u>                 | <u>\$3,745,119</u>                 |
| TOTAL SOUTHERN                  |        |                         | 3,491 082             | (3 379)                | 3,487,703                      | \$17 684 998                       |
| LIQUEFIED NATURAL GAS           |        |                         |                       |                        |                                |                                    |
| Liquefaction and Turbine Fuel   | (a)    | \$4 78555               | (1 052 564)           |                        | (1 052 564)                    | (\$5 037 095)                      |
| Boiloff and Vaporization        | (d)    | \$3 60724               | <u>375,158</u>        |                        | <u>375,158</u>                 | <u>\$1,353,286</u>                 |
| TOTAL LNG                       |        |                         | (677 406)             |                        | (677 406)                      | (\$3 683 809)                      |
| TOTAL COMMODITY COST            |        |                         | 7,518 309             | (7 930)                | 7 510 379                      | \$37,266,875                       |
| Average Commodity Cost Per MCF  |        |                         |                       |                        |                                | \$4 96205                          |

## TOTAL COST

\$49,535,279

(a) 1 023 BTU adjustment included in above ETNG rates

(b) 1 128 BTU adjustment included in above SNG rates

(c) WACOG of ET and SNG purchases excl transportation rate Detail - page 3

(d) Based on LNG "LIFO" Cost / MCF Detail - page 2

## CHATTANOOGA GAS COMPANY

DETAIL OF RATES USED TO COMPUTE PURCHASED GAS ADJUSTMENT EFFECTIVE

April 1 2002

Page 2

MCF VOLUMES FOR LNG AND COMPANY USE / GAS INTO AND OUT OF LNG PLANT FOR TWELVE MONTHS ENDED

Dec 31 2001

## LIQUEFIED NATURAL GAS

| Month        | MCF Liquefied<br>(Into Tank) | Turbine<br>Fuel | ACF Liquefied<br>+Turbine Fuel | ETNG/Spot<br>Commodity<br>WACOG/Mcf | Turbine<br>Fuel<br>+ 6% Tax | Total Cost<br>w/o Tax | Total<br>Cost      | Rate             | Co<br>Use      | Boil-Off       | Less<br>Vapor<br>Fuel | Net<br>Boil-Off | Vaporized      | Net<br>(To)/From<br>Plant |
|--------------|------------------------------|-----------------|--------------------------------|-------------------------------------|-----------------------------|-----------------------|--------------------|------------------|----------------|----------------|-----------------------|-----------------|----------------|---------------------------|
| Jan 01       | 69 673                       | 0               | 69,673                         | \$9 54840                           |                             | \$665 266             | \$665,266          |                  | (383)          | 26 057         | 3 252                 | 22 805          | 108 399        | 61,531                    |
| Feb 01       | 125,693                      | 0               | 125 693                        | \$6 64000                           |                             | \$834 602             | \$834 602          |                  | (533)          | 25 584         | 0                     | 25 584          | 0              | (100,109)                 |
| Mar 01       | 0                            | 0               | 0                              |                                     |                             | \$0                   | \$0                |                  | (528)          | 21 757         | 0                     | 21 757          | 4 174          | 25 931                    |
| Apr 01       | 0                            | 0               | 0                              |                                     |                             | \$0                   | \$0                |                  | (441)          | 12 367         | 0                     | 12 367          | 0              | 12,367                    |
| May 01       | 0                            | 0               | 0                              |                                     |                             | \$0                   | \$0                |                  | (1 042)        | 15 397         | 0                     | 15 397          | 0              | 15 397                    |
| Jun 01       | 0                            | 0               | 0                              |                                     |                             | \$0                   | \$0                |                  | (610)          | 15 362         | 0                     | 15 362          | 0              | 15 362                    |
| Jul 01       | 0                            | 0               | 0                              | \$0 00000                           | \$0 00000                   | \$0                   | \$0                |                  | (768)          | 16 836         | 0                     | 16 836          | 0              | 16 836                    |
| Aug 01       | 15 994                       | 19 726          | 35 720                         | \$3 62000                           | \$3 83720                   | \$129 306             | \$133 591          |                  | (744)          | 20 145         | 0                     | 20 145          | 0              | (15 575)                  |
| Sep 01       | 0                            | 0               | 0                              | \$4 62000                           | \$4 89720                   | \$0                   | \$0                |                  | (753)          | 14 870         | 0                     | 14 870          | 0              | 14 870                    |
| Oct 01       | 504 924                      | 0               | 504 924                        | \$1 86000                           | \$1 97160                   | \$939 159             | \$939 159          |                  | (559)          | 33 106         | 0                     | 33 106          | 0              | (471,818)                 |
| Nov 01       | 316 554                      | 0               | 316 554                        | \$3 20200                           |                             | \$1 013 606           | \$1 013 606        |                  | (832)          | 33 869         | 0                     | 33 869          | 0              | (282 685)                 |
| Dec 01       | 0                            | 0               | 0                              | \$2 54600                           |                             | \$0                   | \$0                |                  | (737)          | 32 754         | 2 760                 | 29 994          | 493            | 30 487                    |
| <b>TOTAL</b> | <b>1 032 838</b>             | <b>19 726</b>   | <b>1,052,564</b>               | <b>\$3 40306</b>                    | <b>\$3 60724</b>            | <b>\$3 581 938</b>    | <b>\$3 586 223</b> | <b>\$3 60724</b> | <b>(7 930)</b> | <b>268 104</b> | <b>6 012</b>          | <b>262 092</b>  | <b>113 066</b> | <b>(677 406)</b>          |

Oct and November 2001 LNG hauled in from F



CHATTANOOGA GAS COMPANY  
 DETAIL OF RATES USED TO COMPUTE PURCHASED GAS ADJUSTMENT  
 EFFECTIVE April 1, 2002

Page 3

**TENNESSEE NATURAL GAS COMPANY**

|                                       | DT      | RATE             | TOTAL       |
|---------------------------------------|---------|------------------|-------------|
| <b>FIRM TRANSPORTATION (FT)</b>       |         |                  |             |
| Reservation Charges - Supplier 1      | 205,808 | \$0 00000        | \$0         |
| Supplier 2                            | 425,326 | \$0 01000        | \$4,253     |
| Supplier 3                            | 0       | \$0 00000        | \$0         |
| TGP Commodity - Supplier 1            | 0       | \$0 00000        | \$0         |
| Supplier 2                            | 433,721 | \$4 42000        | \$1,917,047 |
| SPOT Commodity - Supplier 1           | 16,549  | \$4 42000        | \$73,147    |
| Supplier 2                            | 0       | \$0 00000        | \$0         |
| Supplier 3                            | 0       | \$0 00000        | \$0         |
| Total                                 | 450,270 | \$4 42945        | \$1,994,447 |
| TGP Fuel                              | (7,655) |                  |             |
| TGP Transport                         | 442,615 | \$0 06211        | \$27,491    |
| Total TGP                             | 442,615 | \$4 56816        | \$2,021,938 |
|                                       |         |                  |             |
| ET - Supplier 1 - Reservation Charges | 4,978   | \$7 58000        | \$37,733    |
| ET - Supplier 1 - Commodity           | 154,318 | \$4 42000        | \$682,086   |
| Total                                 | 154,318 |                  | \$719,819   |
| Total TGP and ET                      | 596,933 | \$4 59307        | \$2,741,757 |
| ETN Fuel                              | (9,432) |                  |             |
| ETN Transport                         | 587,502 | \$0 01080        | \$6,345     |
| Rate/MMBTU                            | 587,502 | \$4 67761        | \$2,748,102 |
| Rate/MCF                              |         | <b>\$4 78555</b> |             |

**FS STORAGE INJECTION**

|                  |         |                  |             |
|------------------|---------|------------------|-------------|
| Total Purchases  | 450,270 | \$4 42945        | \$1,994,447 |
| Fuel             | (6,709) |                  |             |
| Injection Charge | 443,561 | \$0 00672        | \$2,981     |
| Rate/MMBTU       | 443,561 | \$4 50316        | \$1,997,428 |
| Rate/MCF         |         | <b>\$4 60708</b> |             |

**SOUTHERN NATURAL GAS COMPANY**

|                                  | DT      | RATE             | TOTAL       |
|----------------------------------|---------|------------------|-------------|
| <b>FIRM TRANSPORTATION (FT)</b>  |         |                  |             |
| Reservation Charges - Supplier 1 | 312,117 | \$0 01500        | \$4,682     |
| Supplier 2                       | 0       | \$0 01000        | \$0         |
| Supplier 3                       | 0       | \$0 00000        | \$0         |
| Commodity - Supplier 1           | 318,277 | \$4 42000        | \$1,406,784 |
| Supplier 2                       | 0       | \$0 00000        | \$0         |
| Supplier 3                       | 0       | \$0 00000        | \$0         |
| Total                            | 318,277 | \$4 43471        | \$1,411,466 |
| Fuel                             | (8,275) |                  |             |
| Transport                        | 310,002 | \$0 04280        | \$13,268    |
| Rate/MMBTU                       | 310,002 | \$4 59589        | \$1,424,734 |
| Rate/MCF                         |         | <b>\$5 18642</b> |             |

**CSS STORAGE INJECTION**

|                  |         |                  |             |
|------------------|---------|------------------|-------------|
| Total Purchases  | 318,277 | \$4 43471        | \$1,411,466 |
| Fuel @ 76%       | (2,419) |                  |             |
| Injection Charge | 315,858 | \$0 00630        | \$1,990     |
| Rate/MMBTU       | 315,858 | \$4 47497        | \$1,413,456 |
| Rate/MCF         |         | <b>\$5 04997</b> |             |

# Sendout CGC Injection/Withdrawal Pattern Based on Normal Weather Wtr '02-'03

Futures Prices as of 3/12/02 10:40  
Both Scenarios reflect draining storages from March 02 to June 02 using 30% warmer than Normal Load

## CGC Consolidated Storage Levels

| Month        | Beginning Inventory |        |              | Injections     |                |                       | Withdrawals     |            |                        | Withdrawals     |            |                        | Ending Inventory |           |              |
|--------------|---------------------|--------|--------------|----------------|----------------|-----------------------|-----------------|------------|------------------------|-----------------|------------|------------------------|------------------|-----------|--------------|
|              | Beginning Volume    | WACOG  | Total Cost   | Net Injections | Injection Rate | Total Cost Injections | Net Withdrawals | WACOG Rate | Total Cost Withdrawals | Net Withdrawals | WACOG Rate | Total Cost Withdrawals | Ending Volume    | WACOG     | Total Cost   |
| <b>FY02</b>  |                     |        |              |                |                |                       |                 |            |                        |                 |            |                        |                  |           |              |
| Jan-02       | 3,703,839           | \$4.42 | \$17,346,692 | 5,585          |                | \$11,399              | (566,602)       |            | (\$2,612,520)          |                 |            |                        | 0                | 4,417,681 | \$14,748,571 |
| Feb-02       | 3,142,822           | \$4.69 | \$14,748,571 |                |                | \$0                   | (954,931)       |            | (\$4,347,676)          |                 |            |                        | 2,187,891        | 4,753,845 | \$10,400,894 |
| Mar-02       | 2,187,891           | \$4.75 | \$10,400,894 | 191,434        |                | \$566,645             | (562,000)       |            | (\$2,398,302)          |                 |            |                        | 1,817,325        | 4,715,302 | \$8,569,237  |
| Apr-02       | 1,817,325           | \$4.72 | \$8,569,237  |                |                | \$0                   | (310,000)       |            | (\$1,235,843)          |                 |            |                        | 1,507,325        | 4,865,171 | \$7,333,394  |
| May-02       | 1,507,325           | \$4.87 | \$7,333,394  | 128,010        |                | \$390,431             | (224,670)       |            | (\$850,978)            |                 |            |                        | 1,410,665        | 4,872,062 | \$6,872,847  |
| Jun-02       | 1,410,665           | \$4.87 | \$6,872,847  | 311,085        |                | \$953,476             |                 |            | \$0                    |                 |            |                        | 1,721,750        | 4,545,562 | \$7,826,322  |
| Jul-02       | 1,721,750           | \$4.55 | \$7,826,322  | 714,079        |                | \$2,227,925           |                 |            | \$0                    |                 |            |                        | 2,435,829        | 4,127,65  | \$10,054,247 |
| Aug-02       | 2,435,829           | \$4.13 | \$10,054,247 | 668,040        |                | \$2,020,821           |                 |            | \$0                    |                 |            |                        | 3,103,869        | 3,890,328 | \$12,075,068 |
| Sep-02       | 3,103,869           | \$3.89 | \$12,075,068 | 643,808        |                | \$2,027,995           |                 |            | \$0                    |                 |            |                        | 3,747,677        | 3,763,149 | \$14,103,064 |
| Oct-02       | 3,747,677           | \$3.76 | \$14,103,064 |                |                | \$0                   | (191,587)       |            | (\$651,486)            |                 |            |                        | 3,556,090        | 3,782,688 | \$13,451,576 |
| Nov-02       | 3,556,090           | \$3.78 | \$13,451,576 |                |                | \$0                   | (478,966)       |            | (\$1,628,711)          |                 |            |                        | 3,077,124        | 3,842,181 | \$11,822,865 |
| Dec-02       |                     |        |              |                |                |                       | (3,288,756)     |            | (\$13,725,518)         |                 |            |                        |                  |           |              |
| <b>FY03</b>  |                     |        |              | 2,662,041      |                | \$8,198,691           |                 |            |                        |                 |            |                        |                  |           |              |
| Jan-03       | 3,077,124           | \$3.84 | \$11,822,865 |                |                | \$0                   | (574,759)       |            | (\$1,954,454)          |                 |            |                        | 2,502,365        | 3,943,634 | \$9,868,411  |
| Feb-03       | 2,502,365           | \$3.94 | \$9,868,411  |                |                | \$0                   | (478,966)       |            | (\$1,628,711)          |                 |            |                        | 2,023,399        | 4,072,208 | \$8,239,700  |
| Mar-03       | 2,023,399           | \$4.07 | \$8,239,700  |                |                | \$0                   | (191,587)       |            | (\$651,486)            |                 |            |                        | 1,831,812        | 4,142,463 | \$7,588,212  |
| Apr-03       | 1,831,812           | \$4.14 | \$7,588,212  | 36,534         |                | \$124,472             |                 |            | \$0                    |                 |            |                        | 1,868,346        | 4,128,082 | \$7,712,685  |
| May-03       | 1,868,346           | \$4.13 | \$7,712,685  | 479,800        |                | \$1,638,516           |                 |            | \$0                    |                 |            |                        | 2,348,145        | 3,982,377 | \$9,351,200  |
| Jun-03       | 2,348,145           | \$3.98 | \$9,351,200  | 479,800        |                | \$1,650,511           |                 |            | \$0                    |                 |            |                        | 3,307,745        | 3,829,381 | \$12,666,615 |
| Jul-03       | 2,827,945           | \$3.89 | \$11,001,711 | 479,800        |                | \$1,664,905           |                 |            | \$0                    |                 |            |                        | 3,787,544        | 3,786,389 | \$14,341,116 |
| Aug-03       | 3,307,745           | \$3.83 | \$12,666,615 | 479,800        |                | \$1,674,501           |                 |            | \$0                    |                 |            |                        | 4,267,344        | 3,753,064 | \$16,015,616 |
| Sep-03       | 3,787,544           | \$3.79 | \$14,341,116 |                |                | \$0                   | (475,831)       |            | (\$1,604,683)          |                 |            |                        | 3,834,428        | 3,799,823 | \$14,570,148 |
| Oct-03       | 4,267,344           | \$3.75 | \$16,015,616 | 42,915         |                | \$159,215             | (675,356)       |            | (\$2,371,949)          |                 |            |                        | 3,236,054        | 3,862,125 | \$12,498,044 |
| Nov-03       | 4,267,344           | \$3.75 | \$16,015,616 | 76,982         |                | \$299,845             |                 |            | \$0                    |                 |            |                        |                  |           |              |
| Dec-03       | 3,834,428           | \$3.80 | \$14,570,148 | 2,555,429      |                | \$8,886,464           | (2,396,499)     |            | (\$8,211,285)          |                 |            |                        |                  |           |              |
| <b>FY04</b>  |                     |        |              |                |                |                       |                 |            |                        |                 |            |                        |                  |           |              |
| Jan-04       | 3,236,054           | \$3.86 | \$12,498,044 |                |                |                       | (609,836)       |            | (\$2,156,342)          |                 |            |                        | 2,668,547        | 3,938,392 | \$10,588,524 |
| Feb-04       |                     |        |              | 62,329         |                | \$246,823             |                 |            |                        |                 |            |                        |                  |           |              |
| Mar-04       |                     |        |              |                |                |                       | (609,836)       |            | (\$2,156,342)          |                 |            |                        |                  |           |              |
| <b>Total</b> |                     |        |              | 62,329         |                | \$246,823             | (609,836)       |            | (\$2,156,342)          |                 |            |                        |                  |           |              |

## CHATTANOOGA GAS COMPANY

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DETAIL OF RATES USED TO COMPUTE INTERRUPTIBLE PURCHASED GAS ADJUSTMENT  
EFFECTIVE April 1, 2002

## TENNESSEE NATURAL GAS COMPANY

|                                       | DT      | RATE      | TOTAL       |
|---------------------------------------|---------|-----------|-------------|
| INTERRUPTIBLE TRANSPORTATION (IT)     |         |           |             |
| Reservation Charges - Supplier 1      | 205,808 | \$0 00000 | \$0         |
| Supplier 2                            | 425,326 | \$0 01000 | \$4,253     |
| Supplier 3                            | 0       | \$0 00000 | \$0         |
| TGP Commodity - Supplier 1            | 0       | \$0 00000 | \$0         |
| Supplier 2                            | 433,721 | \$4 42000 | \$1,917,047 |
| SPOT Commodity - Supplier 1           | 16,549  | \$4 42000 | \$73,147    |
| Supplier 2                            | 0       | \$0 00000 | \$0         |
| Supplier 3                            | 0       | \$0 00000 | \$0         |
| Total                                 | 450,270 | \$4 42945 | \$1,994,447 |
| TGP Fuel                              | (7,655) |           |             |
| TGP IT Transport                      | 442,615 | \$0 26940 | \$119,241   |
| Total TGP                             | 442,615 | \$4 77545 | \$2,113,688 |
| ET - Supplier 1 - Reservation Charges | 4,978   | \$7 58000 | \$37,733    |
| ET - Supplier 1 - Commodity           | 154,318 | \$4 42000 | \$682,086   |
| Total                                 | 154,318 |           | \$719,819   |
| Total TGP and ET                      | 596,933 | \$4 74677 | \$2,833,507 |
| ETN Fuel                              | (9,432) |           |             |
| ETN INT Transport                     | 587,502 | \$0 24780 | \$145,583   |
| Rate/MMBTU                            | 587,502 | \$5 07078 | \$2,979,090 |
| Rate/MCF                              |         | \$5 18779 |             |

## SOUTHERN NATURAL GAS COMPANY

|                                   | DT      | RATE      | TOTAL       |
|-----------------------------------|---------|-----------|-------------|
| INTERRUPTIBLE TRANSPORTATION (IT) |         |           |             |
| Reservation Charges - Supplier 1  | 312,117 | \$0 01500 | \$4,682     |
| Supplier 2                        | 0       | \$0 01000 | \$0         |
| Supplier 3                        | 0       | \$0 00000 | \$0         |
| Commodity - Supplier 1            | 318,277 | \$4 42000 | \$1,406,784 |
| Supplier 2                        | 0       | \$0 00000 | \$0         |
| Supplier 3                        | 0       | \$0 00000 | \$0         |
| Total                             | 318,277 | \$4 43471 | \$1,411,466 |
| Fuel                              | (8,275) |           |             |
| SNG INT Transport                 | 310,002 | \$0 39780 | \$123,319   |
| Rate/MMBTU                        | 310,002 | \$4 95089 | \$1,534,785 |
| Rate/MCF                          |         | \$5 58704 |             |

|                              |         |          |             |
|------------------------------|---------|----------|-------------|
| TOTAL SYSTEM VOLUMES         | 897,504 |          |             |
| WEIGHTED SYSTEM INT RATE/DT  | 897,504 | \$5 0294 | \$4,513,875 |
| WEIGHTED SYSTEM INT RATE/MCF | 874,019 | \$5.1645 |             |

CHATTANOOGA GAS COMPANY  
ANALYSIS OF AVERAGE STORAGE COST  
TWELVE MONTHS ENDEC Dec 31, 2001

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TGP FS-PA/MA #3947, #3999

|                   | MMBtu Inj | Rate             | Cost        |
|-------------------|-----------|------------------|-------------|
| Jan 01            | 162,768   | \$10 12543       | \$1,648,096 |
| Feb 01            | 204,570   | \$6 27647        | \$1 283,978 |
| Mar 01            | 107 087   | \$5 17529        | \$554,206   |
| Apr 01            | 288,042   | \$5 53540        | \$1 594,427 |
| May 01            | 360,569   | \$4 88208        | \$1,760,326 |
| June 01           | 69,733    | \$3 72677        | \$259,879   |
| Jul 01            | 233 874   | \$3 25990        | \$762,405   |
| Aug 01            | 163,220   | \$3 26878        | \$533,531   |
| Sep 01            | 0         | \$0 00000        | \$0         |
| Oct 01            | 0         | \$0 00000        | \$0         |
| Nov 01            | 74,702    | \$2 96414        | \$221,427   |
| Dec 01            | 23 463    | \$2 43444        | \$57,119    |
|                   | 1,688,028 | \$5 13937        | \$8,675,395 |
| Withdrawal Charge |           | \$0 00672        |             |
| Rate per MMBtu    |           | \$5 14609        |             |
| Rate per MCF      |           | <b>\$5 26484</b> |             |

ETNG GSS/CNG

|                   | MMBtu Inj | Rate             | Cost |
|-------------------|-----------|------------------|------|
| Jan 01            | 0         |                  | \$0  |
| Feb 01            | 0         |                  | \$0  |
| Mar 01            | 0         |                  | \$0  |
| Apr 01            | 0         |                  | \$0  |
| May 01            | 0         |                  | \$0  |
| June 01           | 0         |                  | \$0  |
| Jul 01            | 0         | \$0 00000        | \$0  |
| Aug 01            | 0         | \$0 00000        | \$0  |
| Sep 01            | 0         |                  | \$0  |
| Oct 01            | 0         |                  | \$0  |
| Nov 01            | 0         |                  | \$0  |
| Dec 01            | 0         |                  | \$0  |
|                   | 0         | \$0 00000        | \$0  |
| Withdrawal Charge |           | \$0 01470        |      |
| Rate per MMBtu    |           | \$0 01470        |      |
| Rate per MCF      |           | <b>\$0 01504</b> |      |

SNG CSS

|  | MMBtu Inj | Rate             | Cost        |
|--|-----------|------------------|-------------|
|  | 30,942    | \$10 11315       | \$312,921   |
|  | 34 396    | \$6 50183        | \$223 637   |
|  | 33,475    | \$4 98190        | \$166,769   |
|  | 75,320    | \$5 48156        | \$412,871   |
|  | 86,403    | \$4 97325        | \$429,704   |
|  | 54 978    | \$3 80680        | \$209,290   |
|  | 41,261    | \$3 25933        | \$134,483   |
|  | 16 831    | \$3 28180        | \$55,236    |
|  | 0         | \$0 00000        | \$0         |
|  | 6,149     | \$1 77403        | \$10,908    |
|  | 70,927    | \$4 58947        | \$325,517   |
|  | 19,566    | \$2 35153        | \$46,010    |
|  | 470,248   | \$4 94919        | \$2,327,347 |
|  |           | \$0 00630        |             |
|  |           | \$4 95549        |             |
|  |           | <b>\$5 59223</b> |             |

## CHATTANOOGA GAS COMPANY

## DETAIL OF RATES AND SURCHARGES USED TO COMPUTE PURCHASED GAS ADJUSTMENT

EFFECTIVE

April 1, 2002

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| TENNESSEE         |            | Tariff<br>Rate | Effective<br>Rate |
|-------------------|------------|----------------|-------------------|
| FT-A Demand       | Zone 1 - 1 | 5 61           | \$5 61000         |
| Total FT-A Demand |            |                | <b>\$5 61000</b>  |

|                      |              |        |                  |
|----------------------|--------------|--------|------------------|
| FT-A Commodity       | Zone 0 - 28% | 0 0669 | \$0 01873        |
|                      | Zone 1 - 72% | 0 0572 | <u>\$0 04118</u> |
| Total FT-A Commodity |              |        | 0 05991          |
| ACA                  |              |        | 0 00220          |
| GRI                  |              |        | N/A              |
| TCSM                 |              |        | 0 00000          |
| TCRA                 |              |        | N/A              |
| Total FT-A Commodity |              |        | <b>\$0 06211</b> |

|                    |            |        |                  |
|--------------------|------------|--------|------------------|
| IT Commodity       | Zone 1 - 1 | 0 2672 | \$0 26720        |
| ACA                |            |        | 0 00220          |
| GRI                |            |        | N/A              |
| TCSM               |            |        | 0 00000          |
| TCRA               |            |        | N/A              |
| Total IT Commodity |            |        | <b>\$0 26940</b> |

## EAST TENNESSEE

|                                     |      |                  |
|-------------------------------------|------|------------------|
| FT-A Demand                         | 7 21 | \$7 21000        |
| TCRA (Article 25)                   |      | -0 05000         |
| GRI (Article 33) (High Load Factor) |      | 0 23000          |
| Total FT-A Demand                   |      | <b>\$7 39000</b> |

|                      |        |                  |
|----------------------|--------|------------------|
| FT-A Commodity       | 0 0011 | \$0 00110        |
| TCRA (Article 25)    |        | 0 00000          |
| GRI (Article 33)     |        | 0 00750          |
| ACA (Article 34)     |        | 0 00220          |
| Total FT-A Commodity |        | <b>\$0 01080</b> |

|                    |        |                  |
|--------------------|--------|------------------|
| IT Commodity       | 0 2381 | \$0 23810        |
| GRI (Article 33)   |        | 0 00750          |
| ACA (Article 34)   |        | 0 00220          |
| Total IT Commodity |        | <b>\$0 24780</b> |

| SOUTHERN        |        | Tariff<br>Rate | Effective<br>Rate |
|-----------------|--------|----------------|-------------------|
| FT Demand       | Zone 3 | 10 79          | \$10 79000        |
| GRI             |        |                | 0 12300           |
| Southern Energy |        |                | 0 37170           |
| Total FT Demand |        |                | <b>\$11 28470</b> |

|                             |          |        |                  |
|-----------------------------|----------|--------|------------------|
| FT Commodity                | Prod - 3 | 0 0290 | \$0 02900        |
| GSR                         |          |        | \$0 0004         |
| Storage Receiving Surcharge |          |        | \$0 0040         |
| ACA                         |          |        | 0 00220          |
| GRI                         |          |        | 0 00720          |
| Total FT Commodity          |          |        | <b>\$0 04280</b> |

|                             |          |        |                  |
|-----------------------------|----------|--------|------------------|
| IT Commodity                | Prod - 3 | 0 3840 | \$0 38400        |
| GSR                         |          |        | \$0 0004         |
| Storage Receiving Surcharge |          |        | \$0 0040         |
| ACA                         |          |        | 0 00220          |
| GRI                         |          |        | 0 00720          |
| Total IT Commodity          |          |        | <b>\$0 39780</b> |

## Southern CSS Storage Service

|                   |  |         |
|-------------------|--|---------|
| Injection Charge  |  | 0 00630 |
| Withdrawal Charge |  | 0 00630 |

## Tennessee FS Storage Service

|                 |     |     |        |
|-----------------|-----|-----|--------|
| FS-PA           | 67% | 71% |        |
| Injection Rate  |     |     | 0 0053 |
| Withdrawal Rate |     |     | 0 0053 |

|                 |     |     |        |
|-----------------|-----|-----|--------|
| FS-MA           | 28% | 29% |        |
| Injection Rate  |     |     | 0 0102 |
| Withdrawal Rate |     |     | 0 0102 |

|                             |      |         |
|-----------------------------|------|---------|
| FS-PA/MA Injection Average  | 100% | 0 00672 |
| FS-PA/MA Withdrawal Average |      | 0 00672 |

|                         |    |        |
|-------------------------|----|--------|
| CNG GSS Storage Service | 5% |        |
| Injection Rate          |    | 0 0162 |
| Withdrawal Rate         |    | 0 0147 |

|                                  |      |         |
|----------------------------------|------|---------|
| Tennessee Storage Injection Aver | 100% | 0 00722 |
|----------------------------------|------|---------|

CHATTANOOGA GAS COMPANY  
COMPUTATION OF PURCHASED GAS ADJUSTMENT AND ALLOCATION TO RATE CLASSES  
BASED ON VOLUMES FOR TWELVE MONTHS ENDED Dec 31, 2001

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RATES TO BE EFFECTIVE April 1, 2002

| Rate Schedule         | Monthly<br>Contract<br>Demand | Annual<br>Commodity<br>MCF Sales | CURRENT GAS COST |              |              |
|-----------------------|-------------------------------|----------------------------------|------------------|--------------|--------------|
|                       |                               |                                  | Demand           | Commodity    | Total        |
| I-1                   | 9,033                         | 625,370                          | 780,252          | 2,854,357    | 3,634,609    |
| L-1                   |                               | 223,253                          |                  | 1,152,991    | 1,152,991    |
| T-2**                 | 0                             |                                  | 0                |              | 0            |
| ALL OTHER             | 133,000                       | 7,286,935                        | 11,488,152       | 33,259,528   | 44,747,680   |
| V-1                   |                               |                                  |                  |              |              |
| Total Cost Adjustment | 142,033                       | 8,135,558                        | \$12,268,404     | \$37,266,875 | \$49,535,279 |

CURRENT LEVEL OF GAS COST/MCF  
(D)

| **Demand | (D)    | (P)       |        |
|----------|--------|-----------|--------|
| Per Unit | Demand | Commodity | Total  |
| 7 1981   |        | 4 5643    | 4 5643 |
|          |        | 5 1645    | 5 1645 |
| 7 1981   |        |           |        |
|          | 1 5765 | 4 5643    | 6 1408 |
|          | 0 2366 | 4 5643    | 4 8009 |

100% LOAD FACTOR  
DEMAND COST/MCF

\* Total Demand Cost = Total Firm Cost / 142033 X 365 Da \$0 2366  
\* Unit Cost based 108,397 annual contract demand units

\*\* All Demand Units for I-1/T-2 Customers are billed under the I-1 rate

CURRENT LEVEL OF PURCHASED GAS ADJUSTMENT (IN DOLLARS PER MCF)

RATE TARIFF

| Effective Date | <u>I-1 Demand</u> | <u>I-1 Commodity</u> | <u>* L-1 Commodity</u> | <u>T-2 Demand</u> | <u>V-1 Commodity</u> | <u>All Other Commodity</u> |
|----------------|-------------------|----------------------|------------------------|-------------------|----------------------|----------------------------|
| BASE RATES     | \$15 0861         | \$2 2751             | \$2 2751               | \$15 0861         | \$2 7710             | \$3 5120                   |
| 11-01-99       | \$0 1000          | \$0 3000             | \$0 3000               | \$0 1000          | \$0 1000             | \$0 3000                   |
| 12-01-99       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 1-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 2-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 3-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 4-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 5-01-99        | (\$0 1514)        | (\$0 6033)           | (\$0 6033)             | (\$0 1514)        | (\$0 4050)           | (\$0 3800)                 |
| 6-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 7-01-99        | \$0 0016          | \$0 2599             | \$0 2599               | \$0 0016          | \$0 2600             | \$0 2440                   |
| 8-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 9-01-99        | \$0 0000          | \$0 5374             | \$0 5374               | \$0 0000          | \$0 5370             | \$0 6570                   |
| 10-01-99       | \$0 0000          | \$0 2563             | \$0 8115               | \$0 0000          | \$0 2540             | \$0 2543                   |
| 11-01-99       | (\$7 7316)        | (\$0 1037)           | (\$0 0633)             | (\$7 7316)        | (\$0 3551)           | \$0 0287                   |
| 12-01-99       | \$0 0000          | \$0 2281             | \$0 3886               | \$0 0000          | \$0 2281             | \$0 2279                   |
| 1-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 2-01-00        | \$0 0000          | (\$0 5599)           | (\$0 9017)             | \$0 0000          | (\$0 5599)           | (\$0 5599)                 |
| 3-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 4-01-00        | \$0 0000          | \$0 3488             | \$0 2618               | \$0 0000          | \$0 3488             | \$0 3957                   |
| 5-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 6-01-00        | (\$0 0602)        | \$0 1691             | \$0 4842               | (\$0 0602)        | \$0 1671             | \$0 0908                   |
| 7-01-00        | (\$0 0464)        | \$0 9174             | \$1 4861               | (\$0 0464)        | \$0 9174             | \$0 9419                   |
| 8-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 9-01-00        | \$0 0000          | (\$0 3497)           | (\$0 6810)             | \$0 0000          | (\$0 3497)           | (\$0 3783)                 |
| 10-01-00       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 11-01-00       | \$0 0000          | \$1 3896             | \$1 6936               | \$0 0000          | \$1 3896             | \$1 3896                   |
| 12-01-00       | \$0 0000          | \$0 9011             | \$0 3706               | \$0 0000          | \$0 9011             | \$0 9093                   |
| 01-01-01       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 02-01-01       | \$0 0000          | \$2 4344             | \$3 6829               | \$0 0000          | \$2 4344             | \$2 3090                   |
| 03-01-01       | \$0 0000          | (\$2 1848)           | (\$3 3260)             | \$0 0000          | (\$2 1848)           | (\$2 1848)                 |
| 04-01-01       | \$0 0000          | (\$0 9978)           | (\$1 0971)             | \$0 0000          | (\$0 9978)           | (\$1 1168)                 |
| 05-01-01       | \$0 0000          | (\$0 2005)           | \$0 3759               | \$0 0000          | (\$0 2005)           | (\$0 2048)                 |
| 06-01-01       | \$0 0000          | (\$0 2283)           | (\$0 5416)             | \$0 0000          | (\$0 2283)           | (\$0 2469)                 |
| 07-01-01       | \$0 0000          | (\$0 8485)           | (\$1 1932)             | \$0 0000          | (\$0 8485)           | (\$0 8893)                 |
| 08-01-01       | \$0 0000          | (\$0 3493)           | (\$0 5596)             | \$0 0000          | (\$0 3493)           | (\$0 3436)                 |
| 09-01-01       | \$0 0000          | \$0 0902             | \$0 0169               | \$0 0000          | \$0 0902             | \$0 0950                   |
| 10-01-01       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 11-01-01       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 12-01-01       | \$0 0000          | (\$0 3232)           | \$0 0454               | \$0 0000          | (\$0 3248)           | (\$0 3433)                 |
| 01-01-01       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 02-01-01       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                   |
| 03-01-01       | \$0 0000          | (\$0 6574)           | (\$1 3347)             | \$0 0000          | (\$0 6574)           | (\$0 5352)                 |
| 04-01-01       | \$0 0000          | \$1 8633             | \$2 4761               | \$0 0000          | \$1 8633             | \$1 9685                   |
| Current Cost   | \$7 1981          | \$4 5643             | \$5 1645               | \$7 1981          | \$4 8009             | \$6 1408                   |

\*NOTE

The L-1 commodity rate shall also be applicable to the air conditioning rate for rate schedules R-1 R-4 AND C-1

CURRENT LEVEL OF SURCHARGES AND REFUND CREDITS

AMOUNTS INDICATED BELOW APPLY TO THE BILLING DETERMINANTS  
OF EACH INDIVIDUAL TARIFF

| RATES<br>Billing Unit  | I-1<br>Demand<br>MCF | I-1<br>Commodity<br>MCF | L-1<br>Commodity<br>MCF | T-1<br>Commodity<br>MCF | T-2<br>Demand<br>MCF | T-2<br>Commodity<br>MCF | All Other<br>CCF | A/C<br>CCF | V-1<br>CCF |
|------------------------|----------------------|-------------------------|-------------------------|-------------------------|----------------------|-------------------------|------------------|------------|------------|
| Supplier Refund 99-00* | \$0 0000             | \$0 0000                | \$0 0000                | \$0 0000                | \$0 0000             | \$0 0000                | \$0 0000         | \$0 0000   | \$0 0000   |
| ACA Refund 99-00**     | \$0 0000             | \$0 0000                | \$0 0000                | \$0 0000                | \$0 0000             | \$0 0000                | \$0 0000         | \$0 0000   | \$0 0000   |
| IMCR Refund 00-01****  | (\$0 2368)           | \$0 0000                | \$0 0000                | \$0 0000                | \$0 0000             | \$0 0000                | (\$0 0051)       | (\$0 0051) | \$0 0000   |
| 2002 GSR Refund *****  | (\$0 3592)           | \$0 0000                | \$0 0000                | \$0 0000                | (\$0 3592)           | \$0 0000                | (\$0 0133)       | (\$0 0133) | (\$0 0133) |
| ACA Refund 00-01       | (\$1 5293)           | \$0 4394                | \$0 4394                | \$0 0000                | (\$1 5293)           | \$0 0000                | \$0 0153         | \$0 0153   | \$0 0000   |
| TOTAL                  | (\$2 1253)           | \$0 4394                | \$0 4394                | \$0 0000                | (\$1 8885)           | \$0 0000                | (\$0 0031)       | (\$0 0031) | (\$0 0133) |
|                        | =====                | =====                   | =====                   | =====                   | =====                | =====                   | =====            | =====      | =====      |

\*\*\*\*IMCR refund made effective April 1 2002 for a period of 12 months or longer as may be required to refund IMCR balance

\*\*\*\*\*GSR surcharge made effective for March 1 2002 for a period of two months to refund outstanding balance balance will be applied to the next ACA filing

\*Supplier refund made effective December 1 2000 discontinued on December 1 2001 Outstanding balance will be applied to next supplier refund

\*\*ACA 99-00 surcharge made effective December 1 2000 discontinued on December 1 2001 Outstanding balance will be applied to future ACA filing

\*\*\*ACA 00-01 surcharge made effective December 1 2001 for a period of 12 months or shorter as may be required to collect PGA under-recovery  
See itemized breakdown of collection items

EFFECTIVE

April 1 2002



## CHATTANOOGA GAS COMPANY

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MCF SALES BY RATE CLASS AND OFF-SYSTEM REVENUE CREDIT ESTIMATE  
TWELVE MONTHS ENDED Dec 31, 2001

| Month   | I-1     | L-1     | All Other | TOTAL     | T-1 & T-2 | TOTAL      |
|---------|---------|---------|-----------|-----------|-----------|------------|
| Jan 01  | 46,433  | 12,758  | 1,328,273 | 1,387,164 | 749,807   | 2,137,271  |
| Feb 01  | 59,793  | 15,669  | 1,443,432 | 1,518,894 | 117,354   | 1,636,248  |
| Mar 01  | 59,299  | 23,490  | 968,625   | 1,051,414 | 813,266   | 1,864,680  |
| Apr 01  | 129,979 | 38,282  | 845,796   | 1,014,057 | 556,970   | 1,571,027  |
| May 01  | 58,791  | 19,640  | 362,675   | 441,106   | 689,281   | 1,130,387  |
| June 01 | 45,144  | 11,585  | 240,333   | 297,062   | 704,845   | 1,001,907  |
| Jul 01  | 32,500  | 6,921   | 226,860   | 266,281   | 687,038   | 953,319    |
| Aug 01  | 47,816  | 24,701  | 201,710   | 274,227   | 686,864   | 961,091    |
| Sep 01  | 29,354  | 22,390  | 219,793   | 271,537   | 653,194   | 924,731    |
| Oct 01  | 40,003  | 18,567  | 285,446   | 344,016   | 750,576   | 1,094,592  |
| Nov 01  | 30,071  | 15,531  | 514,135   | 559,737   | 696,623   | 1,256,360  |
| Dec 01  | 46,187  | 13,719  | 649,857   | 709,763   | 671,353   | 1,381,116  |
| TOTAL   | 625,370 | 223,253 | 7,286,935 | 8,135,558 | 7,777,171 | 15,912,729 |

| Month   | R - 1     | R - 4  | C - 1     | Off-System     | T-1*      | T-2       |
|---------|-----------|--------|-----------|----------------|-----------|-----------|
|         |           |        |           | Revenue Credit |           |           |
| Jan 01  | 755,363   | 3,477  | 569,433   | \$0 00         | 632,406   | 117,401   |
| Feb 01  | 721,406   | 3,080  | 718,946   | \$0 00         | 102,781   | 14,573    |
| Mar 01  | 498,908   | 3,045  | 466,672   | \$0 00         | 703,236   | 110,030   |
| Apr 01  | 424,435   | 1,662  | 419,699   | \$0 00         | 542,588   | 14,382    |
| May 01  | 139,631   | 669    | 222,375   | \$0 00         | 602,267   | 87,014    |
| June 01 | 84,757    | 1,031  | 154,545   | \$0 00         | 590,420   | 114,425   |
| Jul 01  | 74,298    | 1,043  | 151,519   | \$0 00         | 570,547   | 116,491   |
| Aug 01  | 66,804    | 980    | 133,926   | \$0 00         | 571,936   | 114,928   |
| Sep 01  | 76,947    | 1,104  | 141,742   | \$0 00         | 538,693   | 114,501   |
| Oct 01  | 118,667   | 1,577  | 165,202   | \$0 00         | 625,120   | 125,456   |
| Nov 01  | 266,373   | 1,927  | 245,835   | \$0 00         | 575,954   | 120,669   |
| Dec 01  | 339,115   | 2,783  | 307,959   | \$0 00         | 558,505   | 112,848   |
| TOTAL   | 3,566,704 | 22,378 | 3,697,853 | \$0 00         | 6,614,453 | 1,162,718 |

## CHATTANOOGA GAS COMPANY

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MCF VOLUMES PURCHASED (BY PIPELINE) AND COMPUTATION OF AVERAGE BTU ADJUSTMENT  
FOR GAS TRANSPORTED ON EAST TENNESSEE AND SOUTHERN  
TWELVE MONTHS ENDED Dec 31, 2001

## EAST TENNESSEE

| Month   | FT<br>Purchases | IT<br>Purchases | FS<br>Inj   | FS<br>W/D | CNG<br>Inj | CNG<br>W/D | TOTAL     | BTU<br>ADJ | MMBTU<br>VOLUMES |
|---------|-----------------|-----------------|-------------|-----------|------------|------------|-----------|------------|------------------|
| Jan 01  | 757,776         | 0               | (157,112)   | 388,626   | 0          | 0          | 989,290   | 1 036      | 1,024,904        |
| Feb 01  | 463,950         | 0               | (197,461)   | 23,205    | 0          | 36,673     | 326,367   | 1 036      | 338,116          |
| Mar 01  | 606,857         | 0               | (148,239)   | 171,140   | 0          | 0          | 629,758   | 1 036      | 652,429          |
| Apr 01  | 351,973         | 0               | (278,032)   | 38,010    | 0          | 0          | 111,951   | 1 036      | 115,981          |
| May 01  | 426,044         | 0               | (345,667)   | 0         | 0          | 0          | 80,377    | 1 036      | 83,270           |
| June 01 | 95,198          | 0               | (67,310)    | 20,427    | 0          | 0          | 48,315    | 1 036      | 50,054           |
| Jul 01  | 96,895          | 0               | (225,747)   | 0         | 0          | 0          | (128,852) | 1 036      | (133,490)        |
| Aug 01  | 150,469         | 0               | 101,292     | 33,964    | 0          | 0          | 285,725   | 1 036      | 296,011          |
| Sep 01  | 142,686         | 0               | 0           | 16,224    | (13,956)   | 0          | 144,954   | 1 036      | 150,172          |
| Oct 01  | 461,800         | 0               | 0           | 159,145   | 0          | 0          | 620,945   | 1 036      | 643,299          |
| Nov 01  | 771,014         | 0               | (74,702)    | 0         | 0          | 0          | 696,312   | 0 952      | 662,628          |
| Dec 01  | 707,899         | 0               | (22,648)    | 236,957   | 0          | 36,491     | 958,699   | 1 033      | 990,399          |
| TOTAL   | 5,032,561       | 0               | (1,415,626) | 1 087,698 | (13,956)   | 73,164     | 4,763,841 | 1 023      | 4,873,773        |

## SOUTHERN

| Month   | FT<br>Purchases | 1/<br>IT<br>Purchases | CSS<br>Inj | CSS<br>W/D | TOTAL     | BTU<br>ADJ | MMBTU<br>VOLUMES |
|---------|-----------------|-----------------------|------------|------------|-----------|------------|------------------|
| Jan 01  | 686,080         | 21,198                | (30,696)   | 101,991    | 778,573   | 1 008      | 784,801          |
| Feb 01  | 507,851         | 16,256                | (34,396)   | 36,298     | 526,009   | 1 008      | 530,217          |
| Mar 01  | 235,539         | 23,437                | (33,209)   | 209,888    | 435,655   | 1 008      | 439,140          |
| Apr 01  | 278,727         | 14,772                | (74,722)   | 10,736     | 229,513   | 1 006      | 230,986          |
| May 01  | 125,340         | 31,724                | (85,717)   | 4,338      | 75,685    | 1 008      | 76,290           |
| June 01 | 113,339         | 24,528                | (54,542)   | 14,524     | 97,849    | 1 008      | 98,632           |
| Jul 01  | 55,071          | 35,652                | (40,933)   | 18,401     | 68,191    | 1 008      | 68,736           |
| Aug 01  | 93,992          | 20,619                | (16,831)   | 39,212     | 136,992   | 1 008      | 138,087          |
| Sep 01  | 87,535          | 20,707                | 0          | 100        | 108,342   | 1 008      | 109,208          |
| Oct 01  | 138,971         | 15,440                | (6,149)    | 89,643     | 237,905   | 1 008      | 239,808          |
| Nov 01  | 399,155         | 29,660                | (21,207)   | 11,861     | 419,469   | 1 008      | 422,824          |
| Dec 01  | 262,952         | 0                     | (19,411)   | 133,358    | 376,899   | 2 125      | 800,926          |
| TOTAL   | 2,984,552       | 253,993               | (417,813)  | 670,350    | 3,491,082 | 1 128      | 3,939,655        |

TOTAL MCF PURCHASES

8,254,923

1/ Includes enduser cashout purchases

|                              |                                 | BASE RATE  | PGA      | REFUNDS &<br>SURCHARGES | BILLING<br>RATE |
|------------------------------|---------------------------------|------------|----------|-------------------------|-----------------|
| R 1                          | WINTER (NOV - APR)              |            |          |                         |                 |
| Residential                  | Base Use Charge/Bill            | \$7 5000   |          |                         | \$7 5000        |
| General Service              | First 25 CCF                    | \$0 2900   | \$0 6141 | (\$0 0031)              | \$0 9010        |
|                              | Next 25 CCF                     | \$0 2000   | \$0 6141 | (\$0 0031)              | \$0 8110        |
|                              | Over 50 CCF                     | \$0 1750   | \$0 6141 | (\$0 0031)              | \$0 7860        |
|                              | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Base Use Charge/Bill            | \$7 5000   |          |                         | \$7 5000        |
|                              | First 25 CCF                    | \$0 2100   | \$0 6141 | (\$0 0031)              | \$0 8210        |
|                              | Next 25 CCF                     | \$0 1500   | \$0 6141 | (\$0 0031)              | \$0 7610        |
|                              | Over 50 CCF                     | \$0 0450   | \$0 6141 | (\$0 0031)              | \$0 6560        |
| Air Conditioning             | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Over 50 CCF                     | \$0 0450   | \$0 4564 | (\$0 0031)              | \$0 4933        |
| Standby Service              |                                 |            |          |                         |                 |
| Demand Charge                | Rate Per CCF of Input per Month | \$0 3000   | \$0 7198 | (\$0 2125)              | \$0 8073        |
| R-4                          | WINTER (NOV - APR)              |            |          |                         |                 |
| Multi Family                 | Base Use Charge/Unit            | \$6 0000   |          |                         | \$6 0000        |
| Housing Service              | Commodity Charge/CCF            | \$0 1800   | \$0 6141 | (\$0 0031)              | \$0 7910        |
|                              | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Base Use Charge/Bill            | \$6 0000   |          |                         | \$6 0000        |
|                              | Commodity Charge/CCF            | \$0 1600   | \$0 6141 | (\$0 0031)              | \$0 7710        |
| Air Conditioning             | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Flat Rate / CCF                 | \$0 0450   | \$0 4564 | (\$0 0031)              | \$0 4983        |
| C-1                          | WINTER (NOV - APR)              |            |          |                         |                 |
| Commercial & Industrial      | Base Use Charge/Bill            | \$20 0000  |          |                         | \$20 0000       |
| General Service              | First 3 000 CCF                 | \$0 2750   | \$0 6141 | (\$0 0031)              | \$0 8860        |
|                              | Next 2 000 CCF                  | 0 2510     | \$0 6141 | (\$0 0031)              | \$0 8620        |
|                              | Next 10 000 CCF                 | 0 2445     | \$0 6141 | (\$0 0031)              | \$0 8555        |
|                              | Over 15 000 CCF                 | 0 1265     | \$0 6141 | (\$0 0031)              | \$0 7375        |
|                              | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Base Use Charge/Bill            | \$15 0000  |          |                         | \$15 0000       |
|                              | First 3 000 CCF                 | \$0 2159   | \$0 6141 | (\$0 0031)              | \$0 8269        |
|                              | Next 2 000 CCF                  | 0 1714     | \$0 6141 | (\$0 0031)              | \$0 7824        |
|                              | Next 10 000 CCF                 | 0 1598     | \$0 6141 | (\$0 0031)              | \$0 7708        |
|                              | Over 15 000 CCF                 | 0 1265     | \$0 6141 | (\$0 0031)              | \$0 7375        |
| Air Conditioning             | SUMMER (MAY - OCT)              |            |          |                         |                 |
|                              | Flat Rate / CCF                 | \$0 0450   | \$0 4564 | (\$0 0031)              | \$0 4983        |
| Standby Service              |                                 |            |          |                         |                 |
| Demand Charge                | Rate Per CCF of Input per Month | \$0 3000   | \$0 7198 | (\$0 2125)              | \$0 8073        |
| I 1                          | Base Use Charge                 | \$300 0000 |          |                         | \$300 0000      |
| Large Volume                 | Demand Charge / Demand Unit     | \$3 0000   | \$7 1981 | (\$2.1253)              | \$8 0728        |
| Firm Service                 | Commodity Charge / MCF          |            |          |                         |                 |
|                              | First 1 500 MCF                 | \$0 8888   | \$4 5643 | \$0 4394                | \$5 8925        |
|                              | Next 2 500 MCF                  | \$0 7598   | \$4 5643 | \$0 4394                | \$5 7635        |
|                              | Next 11 000 MCF                 | \$0 4312   | \$4 5643 | \$0 4394                | \$5 4349        |
|                              | Over 15 000 MCF                 | \$0 2650   | \$4 5643 | \$0 4394                | \$5 2687        |
| L 1                          | Base Use Charge                 | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Service        | Commodity Charge/MCF            |            |          |                         |                 |
|                              | First 1 500 MCF                 | \$0 8888   | \$5 1645 | \$0 4394                | \$6 4927        |
|                              | Next 2,500 MCF                  | \$0 7598   | \$5 1645 | \$0 4394                | \$6 3637        |
|                              | Next 11 000 MCF                 | \$0 4312   | \$5 1645 | \$0 4394                | \$6 0351        |
|                              | Over 15 000 MCF                 | \$0 2650   | \$5 1645 | \$0 4394                | \$5 8689        |
| T 1                          | Customer Charge                 | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Transportation | Transportation Charge/MCF       |            |          |                         |                 |
| Service                      | First 1 500 MCF                 | \$0 8888   |          | \$0 0000                | \$0 8888        |
|                              | Next 2 500 MCF                  | \$0 7598   |          | \$0 0000                | \$0 7598        |
|                              | Next 11 000 MCF                 | \$0 4312   |          | \$0 0000                | \$0 4312        |
|                              | Over 15 000 MCF                 | \$0 2650   |          | \$0 0000                | \$0 2650        |
| T 2                          | Customer Charge                 | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Transportation | Demand Charge/Demand Unit       | \$3 0000   | \$7 1981 | (\$1 8885)              | \$8 3096        |
| Service with Firm Backup     | Transportation Charge/MCF       |            |          |                         |                 |
|                              | First 1 500 MCF                 | \$0 8888   |          | \$0 0000                | \$0 8888        |
|                              | Next 2 500 MCF                  | \$0 7598   |          | \$0 0000                | \$0 7598        |
|                              | Next 11 000 MCF                 | \$0 4312   |          | \$0 0000                | \$0 4312        |
|                              | Over 15 000 MCF                 | \$0 2650   |          | \$0 0000                | \$0 2650        |
| V 1                          | Base Use Charge / Bill          | \$17 5000  |          |                         | \$17 5000       |
| Natural Gas Vehicle          | Flat Rate / CCF                 | \$0 0450   | \$0 4801 | (\$0 0133)              | \$0 5118        |
| Service                      |                                 |            |          |                         |                 |

CHATTANOOGA GAS COMPANY  
REFUND EFFECTIVE APRIL 1, 2002

ALLOCATION OF IMCR REFUND TO RATE CLASS CLASSIFICATIONS  
BASED ON VOLUMES FOR TWELVE MONTHS ENDING DEC 31, 2001

| Rate Schedule | Contract Demand | Annual<br>Commodity<br>Mcf Sales | Demand       | Commodity | Total        | Demand<br>Per Unit | Demand      | Commodity | Total<br>(\$/mcf) |
|---------------|-----------------|----------------------------------|--------------|-----------|--------------|--------------------|-------------|-----------|-------------------|
| I-1           | 9,033           | 625,370                          | \$ (25,667)  | \$ -      | \$ (25,667)  | \$ (0.2368)        | \$ -        | \$ -      | \$ -              |
| L-1           |                 | 223,253                          | \$ -         | \$ -      | \$ -         |                    | \$ -        | \$ -      | \$ -              |
| T-2           |                 |                                  | \$ -         | \$ -      | \$ -         |                    | \$ -        | \$ -      | \$ -              |
| All Other     | 130,967         | 7,286,935                        | \$ (372,136) | \$ -      | \$ (372,136) |                    | \$ (0.0511) | \$ -      | \$ (0.0511)       |
| V-1           |                 |                                  | \$ -         | \$ -      | \$ -         |                    | \$ -        | \$ -      | \$ -              |
| TOTAL         | 140,000         | 8,135,558                        | \$ (397,803) | \$ -      | \$ (397,803) |                    | \$ -        | \$ -      | \$ -              |

DESCRIPTION OF REFUND ITEM

|                                      | Demand       | Commodity | Total        |
|--------------------------------------|--------------|-----------|--------------|
| Prior Year Balance                   | \$ 104,173   | \$ -      | \$ 104,173   |
| 00-01 IMCR Refund (Off System Sales) | \$ (501,976) | \$ -      | \$ (501,976) |
| TOTAL                                | \$ (397,803) | \$ -      | \$ (397,803) |

CHATTANOOGA GAS COMPANY  
IMCR - OFF SYSTEM SALES  
CALCULATION OF INTEREST  
FY 2001

|            | BEGINNING<br>BALANCE | Off-System<br>50% of Profit | Off-System<br>Refunded | E B BEFORE<br>INTEREST | AVERAGE<br>BALANCE | INTEREST<br>RATE | CURRENT<br>MO INT<br>TO RECORD | AMOUNT<br>RECORDED | ADJUSTMENT<br>TO RECORD<br>IN NEXT MONTH | Correct<br>Ending GL<br>Balance |
|------------|----------------------|-----------------------------|------------------------|------------------------|--------------------|------------------|--------------------------------|--------------------|--|---------------------------------|
| October 00 | (966,968)            | 0                           | 0                      | (966,968)              | (966,968)          | 0.7917%          | (7,855)                        |                    |  | (974,623)                       |
| November   | (974,623)            | 0                           | 0                      | (974,623)              | (974,623)          | 0.7917%          | (7,716)                        |                    |  | (982,339)                       |
| December   | (982,339)            | 0                           | 156,429                | (825,910)              | (904,124)          | 0.7917%          | (7,158)                        |                    |  | (833,068)                       |
| January 01 | (833,068)            | 0                           | 228,441                | (604,627)              | (718,847)          | 0.7917%          | (5,691)                        |                    |  | (610,318)                       |
| February   | (610,318)            | 0                           | 180,482                | (429,836)              | (520,077)          | 0.7917%          | (4,117)                        |                    |  | (433,953)                       |
| March      | (433,953)            | 0                           | 124,644                | (309,309)              | (371,631)          | 0.7917%          | (2,942)                        |                    |  | (312,251)                       |
| April      | (312,251)            | 0                           | 110,138                | (202,113)              | (257,182)          | 0.7517%          | (1,933)                        |                    |  | (204,046)                       |
| May        | (204,046)            | 0                           | 52,229                 | (151,817)              | (177,931)          | 0.7517%          | (1,337)                        |                    |  | (153,154)                       |
| June       | (153,154)            | 0                           | 38,632                 | (114,522)              | (133,838)          | 0.7517%          | (1,006)                        |                    |  | (115,528)                       |
| July       | (115,528)            | 0                           | 36,865                 | (78,663)               | (97,095)           | 0.6492%          | (630)                          |                    |  | (79,293)                        |
| August     | (79,293)             | 0                           | 34,160                 | (45,133)               | (62,213)           | 0.6492%          | (404)                          |                    |  | (45,537)                        |
| September  | (45,537)             | 0                           | 34,778                 | (10,759)               | (28,148)           | 0.6492%          | (183)                          |                    |  | (10,942)                        |
| October 01 | (10,942)             | 0                           | 43,781                 | 32,839                 | 10,949             | 0.5667%          | 62                             |                    |  | 32,901                          |
| November   | 32,901               | 0                           | 70,885                 | 103,786                | 68,344             | 0.5667%          | 387                            |                    |  | 104,173                         |
| December   | 104,173              | 0                           | 0                      | 104,173                | 104,173            | 0.5667%          | 590                            |                    |  | 104,763                         |
| TOTAL      |                      | 0                           | 1,111,464              |                        |                    |                  | (39,733)                       | 0                  | (39,733)                                 |                                 |
|            |                      |                             |                        |                        |                    |                  |                                |                    | Ending balance less<br>revenue           | 104,763                         |

Chattanooga Gas Company  
Off-System Sales

Page 14

| Year | Month     | Volume  | Revenue      | Cost         | Profit     | Customer<br>Share | Cumulative | Int<br>Rate | Int<br>Costs | Cumulative<br>Total |
|------|-----------|---------|--------------|--------------|------------|-------------------|------------|-------------|--------------|---------------------|
| 2000 | Adj 09/00 | (1,000) | (4,797 50)   | (4,757 06)   | (40 44)    | (20 22)           |            |             |              |                     |
|      | October   | 8,215   | 44,934 41    | 44,512 53    | 421 88     | 210 94            | 190 72     | 0 7917%     | \$ 1 51      | \$ 192 23           |
|      | November  | 301,969 | 1,441,601 42 | 1,400,442 57 | 41,158 85  | 20,579 42         | 20,771 65  | 0 7917%     | \$ 164 44    | \$ 20,936 10        |
|      | December  | 86,632  | 578,000 24   | 509,981 66   | 68,018 58  | 34,009 29         | 54,945 39  | 0 7917%     | \$ 434 98    | \$ 55,380 37        |
|      | Adj 12/00 |         |              | 2,183 00     | (2,183 00) | (1,091 50)        | 54,288 87  | 0 7917%     | \$ 429 79    | \$ 54,718 66        |
| 2001 | January   | 37,635  | 416,996 27   | 380,411 35   | 36,584 92  | 18,292 46         | 73,011 12  | 0 7917%     | \$ 578 00    | \$ 73,589 12        |
|      | February  | 204,425 | 1,361,490 71 | 1,173,541 28 | 187,949 43 | 93,974 72         | 167,563 84 | 0 7917%     | \$ 1,326 55  | \$ 168,890 39       |
|      | March     | 229,321 | 1,242,677 78 | 1,031,720 37 | 210,957 41 | 105,478 71        | 274,369 09 | 0 7517%     | \$ 2,062 34  | \$ 276,431 43       |
|      | April     | 75,000  | 421,672 50   | 414,258 30   | 7,414 20   | 3,707 10          | 280,138 53 | 0 7517%     | \$ 2,105 71  | \$ 282,244 24       |
|      | May       |         |              |              |            | 25,000 00         | 307,244 24 | 0 7517%     | \$ 2,309 45  | \$ 309,553 69       |
|      | June      |         |              |              |            | 25,000 00         | 334,553 69 | 0 6492%     | \$ 2,171 81  | \$ 336,725 50       |
|      | July      |         |              |              |            | 25,000 00         | 361,725 50 | 0 6492%     | \$ 2,348 20  | \$ 364,073 70       |
|      | August    |         |              |              |            | 25,000 00         | 389,073 70 | 0 6492%     | \$ 2,525 74  | \$ 391,599 44       |
|      | September |         |              |              |            | 25,000 00         | 416,599 44 | 0 5667%     | \$ 2,360 73  | \$ 418,960 17       |
|      | October   |         |              |              |            | 25,000 00         | 443,960 17 | 0 5667%     | \$ 2,515 77  | \$ 446,475 95       |
|      | November  |         |              |              |            | 25,000 00         | 471,475 95 | 0 5667%     | \$ 2,671 70  | \$ 474,147 64       |
|      | December  |         |              |              |            | 25,000 00         | 499,147 64 | 0 5667%     | \$ 2,828 50  | \$ 501,976 15       |
|      |           |         | 5,502,575 83 | 4,952,294 00 | 550,281 83 | 475,140 92        |            |             | \$ 26,835 23 | \$ 501,976 15       |

## Attachment C



Chattanooga Gas Company / 2207 Olan Mills Drive/ Chattanooga TN 37421  
Telephone 1-800-427-5463

May 27, 2003

Ms Pat Murphy  
Tennessee Regulatory Authority  
Energy & Water Division  
460 James Robertson Parkway  
Nashville, TN 37243-0505

Dear Ms Murphy,

Pursuant to the Tennessee Regulatory Authority's Rules and Regulations, Chattanooga Gas Company (CGC) hereby files two (2) copies of the following revisions to Chattanooga Gas Tariff No 1

Seventy Second Revised Sheet No 55

We propose that this filing become effective July 1, 2003

This filing terminates the Actual Cost Adjustment (ACA) factors effective October 1, 2002, terminates the Interruptible Margin Credit Rider (IMCR) Refund Credit that became effective April 1, 2002, and implements a new IMCR Refund Credit to refund 100% of the asset management fees received by CGC for the calendar year ended December 31, 2002 and the resulting interest computed in accordance with the tariff as provided on CGC's Tariff, Second Revised Sheet 50E The total being refunded through the IMCR Refund Credit has been adjusted to reflect an over-refund from the prior IMCR Refund Credit that became effective April 1, 2002

The computation of the total amount to be refunded, including interest, is provided on Attachment A The computation of the total refunds credited to customers from April 1, 2002-March 31, 2003 are provided on Attachment B and C The computation of the IMCR Refund Credit to be effective July 1, 2003 is provided on Attachment D

The net impact of this filing on the Residential and Commercial Customer classes is a \$ 1101 per Ccf rate reduction

Should there be any questions, I will be pleased to discuss this filing in further detail with you

Sincerely,

*Archie R. Hickerson*  
Archie R Hickerson  
Manager-Rates

C Mr Dan McCormac  
Ms Amanda Hwang



CURRENT LEVEL OF SURCHARGES AND REFUND CREDITS

AMOUNTS INDICATED BELOW APPLY TO THE BILLING DETERMINANTS  
OF EACH INDIVIDUAL TARIFF

| RATES<br>Billing Unit | I-1<br>Demand<br>MCF | I-1<br>Commodity<br>MCF | L-1<br>Commodity<br>MCF | T-1<br>Commodity<br>MCF | T-2<br>Demand<br>MCF | T-2<br>Commodity<br>MCF | All Other<br>CCF | A/C<br>CCF | V-1<br>CCF |
|-----------------------|----------------------|-------------------------|-------------------------|-------------------------|----------------------|-------------------------|------------------|------------|------------|
| IMCR Refund 7-2003*   | (0 1808)             | 0 0000                  | 0 0000                  | 0 0000                  | (0 1808)             | 0 0000                  | (0 0037)         | (0 0037)   | 0 0000     |
| TOTAL                 | (0 1808)             | 0 0000                  | 0 0000                  | 0 0000                  | (0 1808)             | 0 0000                  | (0 0037)         | (0 0037)   | 0 0000     |

\*IMCR refund made effective July 1 2003 for a period of 12 months or longer as may be required to refund IMCR balance

\*IMCR refund made effective April 1 2002 terminated as of July 1 2003 Any over refund from April 1 2003-June 30 2003 will be included in the Off-System filing for Calendar Year 2003

\*\*ACA 01-02 surcharge made effective October 1 2002 for a period of 12 months terminated July 1 2003

EFFECTIVE

July 1 2003

| CHATTANOOGA GAS COMPANY GAS TARIFF... TRA NO. 1 |                                |            |          |                         |                 |
|---|--------------------------------|------------|----------|-------------------------|-----------------|
| Effective 1-July-2003                           |                                |            |          |                         |                 |
|   |                                | BASE RATE  | PGA      | REFUNDS &<br>SURCHARGES | BILLING<br>RATE |
| R 1   | WINTER (NOV APR)               |            |          |                         |                 |
| Residential                                     | Base Use Charge/Bill           | \$7 5000   |          |                         | \$7 5000        |
| General Service                                 | First 25 CCF                   | \$0 2900   | \$0 7297 | (0 0037)                | \$1 0160        |
|   | Next 25 CCF                    | \$0 2000   | \$0 7297 | (0 0037)                | \$0 9260        |
|   | Over 50 CCF                    | \$0 1750   | \$0 7297 | (0 0037)                | \$0 9010        |
|   | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Base Use Charge/Bill           | \$7 5000   |          |                         | \$7 5000        |
|   | First 25 CCF                   | \$0 2100   | \$0 7297 | (0 0037)                | \$0 9360        |
|   | Next 25 CCF                    | \$0 1500   | \$0 7297 | (0 0037)                | \$0 8760        |
|   | Over 50 CCF                    | \$0 0450   | \$0 7297 | (0 0037)                | \$0 7710        |
| Air Conditioning                                | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Over 50 CCF                    | \$0 0450   | \$0 5717 | (0 0037)                | \$0 6130        |
| Standby Service                                 |                                |            |          |                         |                 |
| Demand Charge                                   | Rate Per CCF of Input per Mont | \$0 3000   | \$0 7198 | (0 0181)                | \$1 0017        |
| R-4   | WINTER (NOV APR)               |            |          |                         |                 |
| Multi-Family                                    | Base Use Charge/Unit           | \$6 0000   |          |                         | \$6 0000        |
| Housing Service                                 | Commodity Charge/CCF           | \$0 1800   | \$0 7297 | (0 0037)                | \$0 9060        |
|   | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Base Use Charge/Bill           | \$6 0000   |          |                         | \$6 0000        |
|   | Commodity Charge/CCF           | \$0 1600   | \$0 7297 | (0 0037)                | \$0 8860        |
| Air Conditioning                                | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Flat Rate / CCF                | \$0 0450   | \$0 5717 | (0 0037)                | \$0 6130        |
| C 1   | WINTER (NOV APR)               |            |          |                         |                 |
| Commercial & Industrial                         | Base Use Charge/Bill           | \$20 0000  |          |                         | \$20 0000       |
| General Service                                 | First 3 000 CCF                | \$0 2750   | \$0 7297 | (0 0037)                | \$1 0010        |
|   | Next 2 000 CCF                 | 0 2510     | \$0 7297 | (0 0037)                | \$0 9770        |
|   | Next 10 000 CCF                | 0 2445     | \$0 7297 | (0 0037)                | \$0 9705        |
|   | Over 15 000 CCF                | 0 1265     | \$0 7297 | (0 0037)                | \$0 8525        |
|   | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Base Use Charge/Bill           | \$15 0000  |          |                         | \$15 0000       |
|   | First 3 000 CCF                | \$0 2159   | \$0 7297 | (0 0037)                | \$0 9419        |
|   | Next 2 000 CCF                 | 0 1714     | \$0 7297 | (0 0037)                | \$0 8974        |
|   | Next 10 000 CCF                | 0 1598     | \$0 7297 | (0 0037)                | \$0 8858        |
|   | Over 15 000 CCF                | 0 1265     | \$0 7297 | (0 0037)                | \$0 8525        |
| Air Conditioning                                | SUMMER (MAY OCT)               |            |          |                         |                 |
|   | Flat Rate / CCF                | \$0 0450   | \$0 5717 | (0 0037)                | \$0 6130        |
| Standby Service                                 |                                |            |          |                         |                 |
| Demand Charge                                   | Rate Per CCF of Input per Mont | \$0 3000   | 0 7198   | (0 0181)                | \$1 0017        |
| I-1   | Base Use Charge                | \$300 0000 |          |                         | \$300 0000      |
| Large Volume                                    | Demand Charge / Demand Unit    | \$3 0000   | \$7 1981 | (0 1808)                | \$10 0173       |
| Firm Service                                    | Commodity Charge / MCF         |            |          |                         |                 |
|   | First 1 500 MCF                | \$0 8888   | \$5 7171 | 0 0000                  | \$6 6059        |
|   | Next 2 500 MCF                 | \$0 7598   | \$5 7171 | 0 0000                  | \$6 4769        |
|   | Next 11 000 MCF                | \$0 4312   | \$5 7171 | 0 0000                  | \$6 1483        |
|   | Over 15 000 MCF                | \$0 2650   | \$5 7171 | 0 0000                  | \$5 9821        |
| L 1   | Base Use Charge                | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Service                           | Commodity Charge/MCF           |            |          |                         |                 |
|   | First 1 500 MCF                | \$0 8888   | \$6 3369 | 0 0000                  | \$7 2257        |
|   | Next 2 500 MCF                 | \$0 7598   | \$6 3369 | 0 0000                  | \$7 0967        |
|   | Next 11 000 MCF                | \$0 4312   | \$6 3369 | 0 0000                  | \$6 7681        |
|   | Over 15 000 MCF                | \$0 2650   | \$6 3369 | 0 0000                  | \$6 6019        |
| T 1   | Customer Charge                | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Transportato                      | Transportation Charge/MCF      |            |          |                         |                 |
| Service   | First 1 500 MCF                | \$0 8888   |          | 0 0000                  | \$0 8888        |
|   | Next 2 500 MCF                 | \$0 7598   |          | 0 0000                  | \$0 7598        |
|   | Next 11 000 MCF                | \$0 4312   |          | 0 0000                  | \$0 4312        |
|   | Over 15 000 MCF                | \$0 2650   |          | 0 0000                  | \$0 2650        |
| T 2   | Customer Charge                | \$300 0000 |          |                         | \$300 0000      |
| Interruptible Transportato                      | Demand Charge/Demand Unit      | \$3 0000   | \$7 1981 | (0 1808)                | \$10 0173       |
| Service with Firm Backup                        | Transportation Charge/MCF      |            |          |                         |                 |
|   | First 1 500 MCF                | \$0 8888   |          | 0 0000                  | \$0 8888        |
|   | Next 2 500 MCF                 | \$0 7598   |          | 0 0000                  | \$0 7598        |
|   | Next 11 000 MCF                | \$0 4312   |          | 0 0000                  | \$0 4312        |
|   | Over 15 000 MCF                | \$0 2650   |          | 0 0000                  | \$0 2650        |
| V 1   |                                |            |          |                         |                 |
| Natural Gas Vehicle                             | Base Use Charge / Bill         | \$17 5000  |          |                         | \$17 5000       |
| Service   | Flat Rate / CCF                | \$0 0450   | 0 59537  | 0 0000                  | \$0 6404        |

Chattanooga Gas Company  
Off-System Sales Sharing  
Calendar Year 2002

|        | Asset Management |           | Ratepayer |           | Cumulative | Annual Interest                               |       | Monthly Interest |    |          |    |            |
|--------|------------------|-----------|-----------|-----------|------------|---|-------|------------------|----|----------|----|------------|
|        | Fee              |           | Share     |           |            | Rate  |       | Rate             |    |          |    |            |
| Jan-02 | \$               | 25,000 00 | \$        | 25,000 00 | \$         | 25,000 00                                     | 5 64% | 0 4700%          | \$ | 117 50   | \$ | 25,117 50  |
| Feb-02 |                  | 25,000 00 |           | 25,000 00 |            | 50,117 50                                     | 5 64% | 0 4700%          |    | 235 55   |    | 50,353 05  |
| Mar-02 |                  | 25,000 00 |           | 25,000 00 |            | 75,353 05                                     | 5 64% | 0 4700%          |    | 354 16   |    | 75,707 21  |
| Apr-02 |                  | 25,000 00 |           | 25,000 00 |            | 100,707 21                                    | 4 78% | 0 3983%          |    | 401 15   |    | 101,108 36 |
| May-02 |                  | 25,000 00 |           | 25,000 00 |            | 126,108 36                                    | 4 78% | 0 3983%          |    | 502 33   |    | 126,610 69 |
| Jun-02 |                  | 25,000 00 |           | 25,000 00 |            | 151,610 69                                    | 4 78% | 0 3983%          |    | 603 92   |    | 152,214 61 |
| Jul-02 |                  | 25,000 00 |           | 25,000 00 |            | 177,214 61                                    | 4 75% | 0 3958%          |    | 701 47   |    | 177,916 08 |
| Aug-02 |                  | 25,000 00 |           | 25,000 00 |            | 202,916 08                                    | 4 75% | 0 3958%          |    | 803 21   |    | 203,719 29 |
| Sep-02 |                  | 25,000 00 |           | 25,000 00 |            | 228,719 29                                    | 4 75% | 0 3958%          |    | 905 35   |    | 229,624 64 |
| Oct-02 |                  | 25,000 00 |           | 25,000 00 |            | 254,624 64                                    | 4 75% | 0 3958%          |    | 1,007 89 |    | 255,632 53 |
| Nov-02 |                  | 25,000 00 |           | 25,000 00 |            | 280,632 53                                    | 4 75% | 0 3958%          |    | 1,110 84 |    | 281,743 37 |
| Dec-02 |                  | 25,000 00 |           | 25,000 00 |            | 306,743 37                                    | 4 75% | 0 3958%          |    | 1,214 19 |    | 307,957 56 |
| Jan-03 |                  |           |           |           |            | 307,957 56                                    | 4 62% | 0 3850%          |    | 1,185 64 |    | 309,143 20 |
| Feb-03 |                  |           |           |           |            | 309,143 20                                    | 4 62% | 0 3850%          |    | 1,190 20 |    | 310,333 40 |
| Mar-03 |                  |           |           |           |            | 310,333 40                                    | 4 62% | 0 3850%          |    | 1,194 78 |    | 311,528 18 |
| Apr-03 |                  |           |           |           |            | 311,528 18                                    | 4 25% | 0 3542%          |    | 1,103 33 |    | 312,631 51 |
| May-03 |                  |           |           |           |            | 312,631 51                                    | 4 25% | 0 3542%          |    | 1,107 24 |    | 313,738 75 |
| Jun-03 |                  |           |           |           |            | 313,738 75                                    | 4 25% | 0 3542%          |    | 1,111 16 |    | 314,849 90 |
|        |                  |           |           |           |            | Balance carry forward from 2001 (Over-Refund) |       |                  |    |          | \$ | (6,691 47) |
|        |                  |           |           |           |            | Total to be refunded                          |       |                  |    |          | \$ | 308,158 43 |

Attachment B

Chattanooga Gas Company  
Off-System Sales  
Reconciliation of Refund for Calendar Year 2001 (April 2002-March 2003)

| Year | Month     | Beginning Balance | Off-System Refunds | End Balance Before Interest | Average Balance | Annual Interest Rate | Monthly Interest Rate | Current Month Interest | Unfunded Balance Including |
|------|-----------|-------------------|--------------------|-----------------------------|-----------------|----------------------|-----------------------|------------------------|----------------------------|
| 2002 | January   | \$ 397,213 15     |                    | \$ 397,213 15               | \$ 397,213 15   | 5 64%                | 0 4700%               | 1,866 90               | 399,080 05                 |
|      | February  | 399,080 05        |                    | 399,080 05                  | 399,080 05      | 5 64%                | 0 4700%               | 1,875 68               | 400,955 73                 |
|      | March     | 400,955 73        |                    | 400,955 73                  | 400,955 73      | 5 64%                | 0 4700%               | 1 884 49               | 402,840 22                 |
|      | April     | 402,840 22        | \$ (36 588 55)     | 366,251 67                  | 384 545 94      | 4 78%                | 0 3983%               | 1,531 77               | 367,783 44                 |
|      | May       | 367,783 44        | (19,813 50)        | 347 969 94                  | 357,876 69      | 4 78%                | 0 3983%               | 1,425 54               | 349,395 48                 |
|      | June      | 349,395 48        | (15 764 13)        | 333,631 35                  | 341 513 42      | 4 78%                | 0 3983%               | 1 360 36               | 334,991 72                 |
|      | July      | 334,991 72        | (12,470 07)        | 322 521 65                  | 328,756 68      | 4 75%                | 0 3958%               | 1,301 33               | 323,822 97                 |
|      | August    | 323,822 97        | (11,535 91)        | 312,287 06                  | 318 055 02      | 4 75%                | 0 3958%               | 1 258 97               | 313,546 03                 |
|      | September | 313 546 03        | (12,505 16)        | 301,040 87                  | 307,293 45      | 4 75%                | 0 3958%               | 1,216 37               | 302,257 24                 |
|      | October   | 302,257 24        | (14,286 51)        | 287,970 73                  | 295,113 98      | 4 75%                | 0 3958%               | 1,168 16               | 289,138 89                 |
|      | November  | 289,138 89        | (24,205 97)        | 264,932 92                  | 277,035 90      | 4 75%                | 0 3958%               | 1,096 60               | 266,029 52                 |
|      | December  | 266,029 52        | (58,454 15)        | 207,575 37                  | 236,802 45      | 4 75%                | 0 3958%               | 937 34                 | 208,512 72                 |
| 2003 | January   | 208,512 72        | (69,453 67)        | 139,059 04                  | 173,785 88      | 4 62%                | 0 3850%               | 669 08                 | 139,728 12                 |
|      | February  | 139,728 12        | (87,043 83)        | 52,684 29                   | 96,206 21       | 4 62%                | 0 3850%               | 370 39                 | 53,054 69                  |
|      | March     | 53 054 69         | (59,835 24)        | (6 780 55)                  | 23,137 07       | 4 62%                | 0 3850%               | 89 08                  | (6,691 47)                 |

## Attachment C

Chattanooga Gas Company  
Off-System Sales Sharing  
Calendar Year 2002

## Summary of Refunds April 1, 2002-March 31, 2003

|        | All Other<br>MCF | Refund<br>Factor<br>Per MCF | Refund to<br>All Other | Demand<br>Units<br>I - 1 | Refund<br>Factor | Refund to<br>I-1 | Total Refund   |
|--------|------------------|-----------------------------|------------------------|--------------------------|------------------|------------------|----------------|
| Apr-02 | 675,860          | \$ (0 0511)                 | \$ (34,536 45)         | 8,666                    | \$ (0 2368)      | \$ (2,052 11)    | \$ (36,588 55) |
| May-02 | 347,581          | (0 0511)                    | (17,761 39)            | 8,666                    | (0 2368)         | (2,052 11)       | (19,813 50)    |
| Jun-02 | 268,337          | (0 0511)                    | (13,712 02)            | 8,666                    | (0 2368)         | (2,052 11)       | (15,764 13)    |
| Jul-02 | 203,874          | (0 0511)                    | (10,417 96)            | 8,666                    | (0 2368)         | (2,052 11)       | (12,470 07)    |
| Aug-02 | 185,593          | (0 0511)                    | (9,483 80)             | 8,666                    | (0 2368)         | (2,052 11)       | (11,535 91)    |
| Sep-02 | 202,253          | (0 0511)                    | (10,335 13)            | 9,164                    | (0 2368)         | (2,170 04)       | (12,505 16)    |
| Oct-02 | 237,113          | (0 0511)                    | (12,116 47)            | 9,164                    | (0 2368)         | (2,170 04)       | (14,286 51)    |
| Nov-02 | 433,581          | (0 0511)                    | (22,155 99)            | 8,657                    | (0 2368)         | (2,049 98)       | (24,205 97)    |
| Dec-02 | 1,102,544        | (0 0511)                    | (56,340 00)            | 8,928                    | (0 2368)         | (2,114 15)       | (58,454 15)    |
| Jan-03 | 1,317,354        | (0 0511)                    | (67,316 79)            | 9,024                    | (0 2368)         | (2,136 88)       | (69,453 67)    |
| Feb-03 | 1,661,584        | (0 0511)                    | (84,906 94)            | 9,024                    | (0 2368)         | (2,136 88)       | (87,043 83)    |
| Mar-03 | 1,128,978        | (0 0511)                    | (57,690 78)            | 9,056                    | (0 2368)         | (2,144 46)       | (59,835 24)    |

Total

\$ (396,773 72)

\$ (25,182 97) \$ (421,956 69)

CHATTANOOGA GAS COMPANY  
Refund of Off-System Sales Shannng for Twelve Months Ended December 31, 2002

| Rate Schedule         | Monthly<br>Contract<br>Demand | Annual<br>Commodity<br>MCF Sales | Demand | Commodity    | Total             | Demand<br>Per Unit | Demand       | Commodity | Total        |
|-----------------------|-------------------------------|----------------------------------|--------|--------------|-------------------|--------------------|--------------|-----------|--------------|
| I-1                   | 9,056                         |                                  | \$     | (19 648 13)  | \$ (19 648 13)    | \$ (0 18080)       |              |           | \$ (0 18080) |
| L-1                   |                               |                                  |        |              |                   |                    |              |           |              |
| T-2                   |                               |                                  |        |              |                   |                    |              |           |              |
| ALL OTHER             | 132 977                       | 7 764 652                        | \$     | (288 510 30) | \$ (288 510 30)   | \$ (0 18080)       |              |           | \$ (0 18080) |
| V-1                   |                               |                                  |        |              |                   |                    | \$ (0 03716) | \$ -      | \$ (0 03720) |
| Total Cost Adjustment | 142 033                       | 7 764 652                        | \$     | (308 158 43) | - \$ (308 158 43) |                    |              |           |              |

BASED ON VOLUMES FOR TWELVE MONTHS ENDED  
RATES TO BE EFFECTIVE

March 31 2002  
July 1 2003

## **Attachment D**

**INTERRUPTIBLE MARGIN CREDIT RIDER**

**APPLICABILITY**

This Rider shall apply to and become part of each of the Company's Rate Schedules under which gas is sold on a firm basis (hereinafter referred to as "Firm Schedule")

**INTENT AND APPLICATION**

This Interruptible Margin Credit Rider is intended to authorize the Company to recover ninety percent (90%) of the gross profit margin losses that result from rates negotiated under the provisions of Special Service Rate Schedule SS-1 or from customers who switch to alternate fuels where the Company is unable to meet alternate fuel competition

This Interruptible Margin Credit Rider is also intended to authorize the Company to recover not more than fifty percent (50%) of the gross profit margin that results from transactions with non-jurisdictional customers that rely on the Company's gas supply assets (all such transactions including off-system sales) should such transactions be made by the Company

**DETERMINATION OF GROSS PROFIT MARGIN LOSSES**

The gross profit margin loss shall be calculated as ninety percent (90%) of the difference between the Test-Year Targeted Rate Margin as determined in the Company's most recent rate case order of the Authority and the Actual Negotiated Rate Margin

Any amount of gross profit margin losses shall be recovered from the firm commodity component of gas costs as determined under the presently effective Purchased Gas Adjustment Provision

**FILING WITH THE AUTHORITY**

Each negotiated rate gross profit margin loss accounting/recovery period shall correspond with the Company's Fiscal Year, which ends December 31, each year

The Company shall charge all authorized negotiated rate gross profit margin losses to the "Deferred Gas Cost" account in accordance with Section III C of the Authority's PGA Docket No G86-1 and shall file the supplemental sheets required by this Rule showing the calculation of the margin losses



## Attachment E

# TENNESSEE REGULATORY AUTHORITY



**Deborah Taylor Tate**, Chairman  
**Pat Miller**, Director  
**Sara Kyle**, Director  
**Ron Jones**, Director

460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

July 15, 2003

Mr Archie R Hickerson  
Manager - Rates  
Atlanta Gas Light Company  
Location 1686  
P O Box 4569  
Atlanta, GA 30302-4569

Dear Mr Hickerson

This is to acknowledge receipt of your letter dated June 16, 2003, enclosing a Tariff revision to Chattanooga Gas Company (CGC) Tariff No 1

Sixth Revised Sheet No 48, Interruptible Margin Credit Rider (IMCR)

The tariff revision was proposed to modify the language of the current tariff to include all non-sales transactions between CGC and non-jurisdictional customers. The current tariff addresses only off-systems sales. Market conditions have since changed to enable the Company to enter into other transactions that utilize CGC's gas supply assets. I have reviewed the proposed changes and the Company's responses to the Staff's data request and the requested revision appears to be appropriate. The proposed effective date also appears to be appropriate. Chattanooga filed a PGA on May 27, 2002 to implement IMCR refund credits for the reporting period ending December 31, 2002. Therefore, Sixth Revised Sheet No 48 is approved to be effective January 1, 2003, the beginning of the Company's next reporting period for these non-sales transactions.

For future reference, this Tariff filing is logged as number 03-00408. Please refer to this number in any correspondence regarding this particular filing.

Sincerely,

Pat Murphy  
Interim Chief  
Energy and Water Division

PM03-40 cgc.tariff

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BEFORE THE TENNESSEE REGULATORY AUTHORITY  
NASHVILLE, TENNESSEE

IR.A DOCKET ROOM

March 29, 2004

IN RE:

NASHVILLE GAS COMPANY, a Division of  
PIEDMONT NATURAL GAS COMPANY  
INCENTIVE PLAN ACCOUNT (IPA) AUDIT

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Docket No. 03-00489

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NOTICE OF FILING BY ENERGY AND WATER DIVISION OF  
THE TENNESSEE REGULATORY AUTHORITY

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Pursuant to Tenn Code Ann §§ 65-4-104, 65-4-111 and 65-3-108, the Energy and Water Division of the Tennessee Regulatory Authority (hereafter "Energy and Water") hereby gives notice of its filing of the Nashville Gas Company Incentive Plan Account (hereafter "IPA") Audit Report in this docket and would respectfully state as follows

1. The present docket was opened by the Authority to hear matters arising out of the audit of Nashville Gas Company's (hereafter the "Company") IPA for the year ended June 30, 2003

2. The Company's IPA filing was received on August 22, 2003, and the Staff completed its audit of same on March 5, 2004

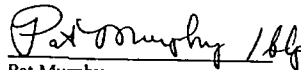
3. On March 11, 2004, the Energy and Water Division issued its preliminary IPA audit findings to the Company, and on March 18, 2004, the Company responded

thereto Further communications ensued regarding the preliminary findings and the Company's final response was received on March 22, 2004

4 The preliminary IPA audit report was modified to reflect the Company's responses and a final IPA audit report (the "Report") resulted therefrom The Report is attached hereto as Exhibit A and is fully incorporated herein by this reference The Report contains the audit findings of the Energy and Water Division, the Company's responses thereto and the recommendations of the Energy and Water Division in connection therewith

5 The Energy and Water Division hereby files its Report with the Tennessee Regulatory Authority for deposit as a public record and approval of the findings and recommendations contained therein

Respectfully Submitted



Pat Murphy  
Energy and Water Division of the  
Tennessee Regulatory Authority

**CERTIFICATE OF SERVICE**

I hereby certify that on this 29th day of March 2004, a true and exact copy of the foregoing has been either hand-delivered or delivered via U S Mail, postage pre-paid, to the following persons

Deborah Taylor Tate  
Chairman  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville, TN 37243

Mr Bill R Morris  
Director of Corporate Planning and Development Services  
Piedmont Natural Gas Company  
P O Box 33068  
Charlotte, NC 28233

Mr David Carpenter  
Director-Rates  
Piedmont Natural Gas Company  
P O Box 33068

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Mr David Carpenter  
Director-Rates  
Piedmont Natural Gas Company  
P O Box 33068  
Charlotte, NC 28233

  
Pat Murphy

COMPLIANCE AUDIT REPORT  
OF

**NASHVILLE GAS COMPANY'S  
INCENTIVE PLAN ACCOUNT**

Docket No 03-00489

PREPARED BY

**TENNESSEE REGULATORY AUTHORITY**

ENERGY AND WATER DIVISION

MARCH 2004

**EXHIBIT A**

**TENNESSEE REGULATORY AUTHORITY'S  
COMPLIANCE AUDIT  
of  
NASHVILLE GAS COMPANY'S  
INCENTIVE PLAN ACCOUNT  
Docket No. 03-00489**

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## **I. INTRODUCTION**

The subject of this compliance audit is the Performance Incentive Plan (hereafter "Incentive Plan" or "IPA") of Nashville Gas Company (hereafter "Nashville Gas," "Nashville" or the "Company"), a division of Piedmont Natural Gas Company. The objective of the audit was to determine whether the balance in the Incentive Plan Account as of June 30, 2003 was calculated in conformance with the terms of the Incentive Plan and to verify that the factors utilized in the calculations were supported by appropriate source documentation. The IPA consists of two mechanisms, which are more fully described in *Section II*.

The following chart summarizes the results of the current period of the Incentive Plan, as presented in the Company's filing

|   |    | <b>Plan Year<br/>Ended<br/>6/30/03</b> |
|---|----|--|
| <b>Total Actual City Gate Purchases</b>                   | \$ | <u>107,496,621</u>                     |
| <b>Total Annual Benchmark</b>                             | \$ | <u>108,374,618</u>                     |
| <b>Percentage Actual Purchases to Benchmark</b>           | \$ | 99.19%                                 |
| <b>Total Incentive Savings (Losses) from:</b>             |    |  |
| Gas Procurement   | \$ | 1,288,018                              |
| Capacity Management                                       |    | <u>2,201,654</u>                       |
| <u>Total Incentive Savings</u>                            | \$ | <u>3,489,672</u>                       |
| <b>Incentive Savings (Losses) Retained by Ratepayers:</b> |    |  |
| Gas Procurement   | \$ | 654,443                                |
| Capacity Management                                       |    | <u>1,235,229</u>                       |
| <u>Total Incentive Savings to Ratepayers</u>              | \$ | <u>1,889,672</u>                       |
| <b>Incentive Savings (Losses) Retained by Company:</b>    |    |  |
| Gas Procurement   | \$ | 633,575                                |
| Capacity Management                                       |    | <u>966,425</u>                         |
| <u>Total Incentive Savings to Company</u>                 | \$ | <u>1,600,000</u>                       |

*Section III* of this report further describes the actual results of the plan year and *Section V* details the Staff's findings.

## **II. BACKGROUND AND DESCRIPTION OF PERFORMANCE INCENTIVE PLAN**

On May 31, 1996, the Tennessee Public Service Commission (hereafter the "TPSC"), the predecessor to the Tennessee Regulatory Authority (hereafter the "Authority" or "TRA"), issued an Order in Docket 96-00805 approving the Incentive Plan on an experimental basis for Nashville Gas. The specific details of the Incentive Plan were included in Nashville Gas' Service Schedule No. 14 tariff entitled Performance Incentive Plan, which was issued on April 22, 1996, and was effective July 1, 1996. A copy of this tariff is attached to the report as Attachment 1.

The experimental period began July 1, 1996, and ended June 30, 1998. On March 31, 1998, the Company filed an Application for Extension of the Performance Incentive Plan, which would allow the plan to continue on an annual basis. The Authority issued an Order on March 11, 1999, authorizing the Company to continue under a modified Incentive Plan. The Incentive Plan automatically rolls over for an additional plan year on each July 1<sup>st</sup>, beginning July 1, 1998, and continues until the Incentive Plan is either (a) terminated at the end of a plan year by not less than 90 days notice by Nashville Gas to the Authority or (b) modified, amended or terminated by the Authority.

The Incentive Plan consists of two mechanisms: (1) the Gas Procurement Mechanism, and (2) the Capacity Management Mechanism. Under the Gas Procurement Mechanism, Nashville Gas retains 50% of the savings on gas purchased below 99% of a pre-determined benchmark. Should the Company purchase gas above 101% of the same pre-determined benchmark, the Company is penalized for 50% of the excess. The Capacity Management Mechanism is tied to the Company's total annual demand cost and the sharing ratio is a sliding scale, with Nashville Gas earning a larger percentage with a higher level of cost savings. Interest is accrued on the outstanding monthly balance in the IPA account using the same computation as is provided for in the Authority's Purchased Gas Adjustment Rule 1220-4-7-03(vii). A more detailed explanation of each mechanism can be found in Attachment 1.

### III. ACTUAL PLAN YEAR RESULTS

On August 22, 2003, Nashville Gas submitted its annual report to the TRA Staff, showing its calculation of the balance in the Incentive Plan Account as of June 30, 2003. According to the Company filing, the Incentive Plan generated \$3,489,672 in total incentive savings. Of this amount, \$1,889,672 benefited the ratepayer and \$1,600,000 was retained by Nashville Gas.<sup>1</sup> Adding the under-recovered balance from the previous period and accrued interest on the monthly balances, and subtracting the surcharges recovered from customers, resulted in an **under-recovered balance** in the account at June 30, 2003 of **\$1,438,294**. To recover this balance, the Company filed a PGA (tariff filing 03-00563) with the TRA Staff seeking approval to discontinue the previous year's surcharge and to implement a \$0.00718 per therm surcharge, effective November 1, 2003.

The Company was able to purchase gas at less than the benchmark in only six (6) months of the twelve (12) months in the audit period. In three (3) of these months, purchases fell within the 1% deadband, and the Company could not share in the savings. In three (3) months, the Company shared in that portion of the savings that fell below the 1% lower limit of the deadband.<sup>2</sup> Purchases for the remaining six (6) months of the plan year were higher than the calculated benchmark. In two (2) of those months, the purchases also exceeded the 1% upper limit of the deadband. Therefore, the Company should have shared 50/50 with the ratepayers the portion of losses exceeding the 1%. Nashville Gas reflected its share of losses for one of those months. In the other month Nashville allocated the total loss to the ratepayers.<sup>3</sup> Total actual city gate purchases for the year averaged 99.19% of the total annual benchmark. Of the \$1,288,018 total net gain reported under the Gas Procurement Mechanism, the Company retained \$633,575 and \$654,443 benefited the ratepayers.

Nashville reported savings under the Capacity Management Mechanism of \$2,201,654, of which \$607,767 was the result of off system sales and capacity release and \$1,593,887 was the payment received from its Asset Manager.<sup>4</sup> The Company's total actual demand costs for the year were \$9,391,980. Therefore, the Company did not participate in any savings until the savings reach \$93,920 (1% of the total demand costs), as provided for in the Incentive Plan. Of the total savings achieved, the Company retained \$966,425 and \$1,235,229 benefited the ratepayers.<sup>5</sup>

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<sup>1</sup> Nashville has a cap on overall incentive gains and losses of \$1.6 million (Service Schedule No. 14, Performance Incentive Plan, page 1).

<sup>2</sup> The deadband is the 1% range on either side of the benchmark, in which there is no sharing of incentive gains or losses.

<sup>3</sup> See Staff Finding #1, in Section V of this report.

<sup>4</sup> Under the Gas Asset Management agreement, Nashville Gas assigns its firm pipeline transportation (capacity), storage (excluding local LNG) and supply rights to the "Asset Manager." In return for this assignment, Nashville Gas receives a lump-sum payment from the asset manager for the assignment of these rights. (Taken from the Company's description of its agreement).

<sup>5</sup> The Company's share was reduced by \$26,396 because of the \$1.6 million cap.

#### IV. AUDIT SCOPE

The IPA audit is a limited compliance audit of the Company's Incentive Plan account. The audit goal was to verify that the Company's calculations of incentive gains and losses were materially correct,<sup>6</sup> and that the Company is following all Authority orders and directives with respect to its calculation of the IPA account balance. Also included in this audit is the Company's PGA filing implementing a customer surcharge of the IPA account balance, effective November 1, 2003.<sup>7</sup>

To accomplish the audit goal, Staff reviewed gas supply invoices, as well as supplemental schedules and other source documentation provided by Nashville. Where needed, Staff issued data requests to the Company to obtain additional information to clarify the filing.

The Authority's Energy and Water Division is responsible for auditing those companies under the Division's jurisdiction to insure that each company is abiding by the rules and regulations of the TRA. This audit was performed by Pat Murphy of the Energy and Water Division.

---

<sup>6</sup> The audit goal is not to guarantee that the Company's results are 100% correct. Where it is appropriate, Staff utilizes sampling techniques to determine whether the Company's calculations are materially correct. Material discrepancies would dictate a broadening of the scope of Staff's review.

<sup>7</sup> PGA/Tariff filing 03-00563

## V. INCENTIVE PLAN (IPA) FINDINGS

Staff reviewed the purchasing activities of Nashville Gas to determine whether the Company correctly calculated the amount of gains and losses under its Incentive Plan. Below is a summary of the IPA account as filed by Nashville and as adjusted by Staff. A description of findings follows.

### SUMMARY OF THE IPA ACCOUNT:

|                                       | Company<br>Filing   | Staff Audit<br>Results | Difference<br>(Findings) |
|---------------------------------------|---------------------|------------------------|--------------------------|
| IPA Account Balance at 6/30/02        | \$ 1,741,051        | \$ 1,741,051           | \$ 0                     |
| Plus Gas Procurement Savings          | 633,575             | 616,529                | -17,046                  |
| Plus Off-System Sales Margin          | 195,877             | 195,877                | 0                        |
| Plus Capacity Release Savings         | 770,548             | 787,594                | 17,046                   |
| Subtract Customer Surcharges          | 1,973,027           | 1,973,027              | 0                        |
| Plus Interest on Account Balance      | <u>70,270</u>       | <u>70,209</u>          | <u>-61</u>               |
| Equals IPA Account Balance at 6/30/03 | <u>\$ 1,438,294</u> | <u>\$ 1,438,233</u>    | <u>\$ -61</u>            |

### SUMMARY OF FINDINGS:

|            |  |               | <u>Page No</u>    |
|------------|--|---------------|-------------------|
| FINDING #1 | Retention of Records                   | \$ 0          | No effect 6       |
| FINDING #2 | Request for Proposal (RFP) Process     | 0             | No effect 7       |
| FINDING #3 | Gas Procurement Savings Overstated     | -17,046       | Over-recovery 9   |
| FINDING #4 | Capacity Release Savings Understated   | 17,046        | Under-recovery 10 |
| FINDING #5 | Interest on Account Balance Overstated | <u>-61</u>    | Over-recovery 11  |
| Net Result |  | <u>\$ -61</u> | Over-recovery     |

## **FINDING #1:**

### **Exception**

The Company failed to retain complete records (documentation) of its RFP process in the selection of an Asset Manager

### **Discussion**

The asset management fee has been included in the Incentive Plan filing for sharing between Nashville and its ratepayers. Staff asked Nashville Gas (through data requests) to provide copies of the winning bids submitted by the two asset managers who ultimately were selected to manage Nashville's assets during the plan year under review. Staff also asked Nashville for a copy of the complete list of companies to which it emailed the RFP. The Company responded that the bids requested were provided verbally and that the list of RFP recipients is no longer available.

In order to audit Nashville's compliance with its Incentive Plan tariff, Staff must have access to all documentation needed to support savings claimed by the Company for sharing between the Company and its ratepayers. In the case of the Asset Management payment, the Company should be able to provide complete documentation of the RFP process.<sup>8</sup>

### **Company Response**

Nashville was unable to provide a copy of the winning bidder's response to the Company's RFP because the various bidders responses were provided to the Company verbally; however, Nashville did provide Staff copies of contracts that were executed by both asset managers that detail the terms under which they agreed to provide their asset management service and the compensation provided to Nashville for such service. In essence, the contracts are the written confirmation of the asset manager's response to the RFP.

Staff did ask Nashville for a copy of the complete list of the companies to which it E-Mailed the RFP. Nashville did provide a copy of the E-Mail sent out to potential asset managers. The E-mail references the RFP list kept by the Company. Nashville continuously updates its RFP list as new suppliers are used by the Company and the Company establishes a record of the potential asset manager's reliability, credit and trustworthiness. In the past, Nashville has not archived its RFP list as it is updated but will do so going forward. Nashville did send the RFP to all suppliers that were on the supplier list at the time the RFP was sent.

### **Staff Response**

The Company states in its response, "In essence, the contracts are the written confirmation of the asset manager's response to the RFP." Staff agrees that the contract reflects

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<sup>8</sup> TRA Rule 1220-4-5- 05 Retention of Records. The NARUC publication referenced states that the minimum retention period for contracts for services, including supporting documentation, is six (6) years (pages 38-39).

the final agreement between the parties. However, without written documentation, Staff has no assurance that the winning bid was not manipulated by the parties.

## **FINDING #2:**

### **Exception**

The Company cannot provide a clear audit trail for its RFP process used in the selection of an Asset Manager

### **Discussion**

As stated in Finding #1, Staff attempted to review Nashville Gas's RFP process used in the selection of the asset managers during the audit period under review. Staff identified several issues that are cause for concern. One, the Company does not retain a copy of its email list of RFP recipients. Therefore, the Company could only report to Staff the companies that responded in some manner to the RFP. Two, the RFP was not publicly published. The Company determined which companies it wanted to consider and other potentially qualified companies were not given the opportunity to bid. Three, in the cases of Dynegey and Sempra, the winning bidders, Nashville could not produce a copy of their original bids. Nashville's response to Staff's inquiry was that these bids were provided "verbally." When asked for copies of the follow-up bids from the two highest bidders, again the Company said the bids (Sempra and Entergy Koch) were provided verbally.

It is obvious from the Company's responses that there is no clear audit trail for Staff to determine whether or not preference was given to any bidder in the RFP process. At the time Dynegey was selected as asset manager, Piedmont was involved in the SouthStar joint venture with Dynegey and a third party. Piedmont states, "In all of its dealings with Dynegey as a supplier or asset manager, Piedmont treated Dynegey the same as it did all other suppliers/asset managers with which it had similar experience"<sup>9</sup> However, based on the information provided by Piedmont, Staff cannot provide assurance to the Authority that the selection process was transparent and unbiased.

### **Company Response**

The Company responded to the first of Staff's issues in response to finding number one.

In response to issue number two, the Company, by publicly publishing its RFP, would disclose information regarding its business, which Piedmont considers to be competitively sensitive. Secondly, Piedmont typically sends its RFP's to suppliers that have established a reliable relationship with Piedmont through previous supply and/or sales arrangements or an asset manager that has acquired the same reputation through dealings with others known to Piedmont. Piedmont would only engage in an asset management arrangement with an entity that has satisfactory credit sufficient to pay damages in the event of non-performance. For the period that Dynegey was selected as the asset manager, six companies responded to Nashville's RFP, with Dynegey out bidding the next highest bidder by \$1,399,000. Lastly, the Company also incurs no cost in E-mailing the RFP to suppliers that meet its reliability and credit requirements. Publicly publishing an RFP would result in considerable cost given the length

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<sup>9</sup> Company's response to Staff's February 10, 2004 data request, question 4 (b)



and detail of an asset management RFP The Company is also not aware of any publication or company that publicly publishes RFP's for asset management

### **FINDING #3:**

#### **Exception**

The Company understated its share of calculated losses under the Gas Procurement Mechanism for the month of May 2003 by \$17,046. This represents a **\$17,046 over-recovery** from customers.

#### **Discussion**

The Incentive Plan tariff under the Gas Procurement Mechanism provides for 50/50 sharing of any gains that occur below 99 per cent of the calculated benchmark and losses that occur above 101 percent of the same benchmark. In May 2003, the actual gas purchases were \$4,452,632. The calculated benchmark for that month was \$4,374,792. Since actual gas purchase costs were greater than the benchmark, a loss of \$77,840 occurred, of which \$34,092 was above the 101 percent ceiling. According to the terms of the tariff, Nashville should absorb \$17,046 of this loss.

#### **Company Response**

Nashville agrees with the conclusions of Staff in Finding #3. The deadband was miscalculated by the Company by the amount stated by Staff.

## **FINDING #4:**

### **Exception**

The Company understated its share of savings under the Capacity Release Mechanism by \$17,046. This represents a **\$17,046 under-recovery** from customers.

### **Discussion**

Nashville had two asset managers during the audit period. Dynegy managed Nashville's assets July through October 2002 and Sempra managed the assets April through June 2003. Sempra made a payment to Nashville in April 2003 for the use of these assets during periods of time when Nashville did not need them. The payment agreed upon in the contract dated January 28, 2003 was \$1.1 million plus an additional amount depending on the ending storage balances at March 31, 2003. The total amount Nashville received was \$1,593,887.

Based on the sliding scale outlined in the Capacity Management mechanism, the sharing percentage for this amount is 50/50. While the Company did calculate its share as \$796,944, it reduced its share by \$26,396, since its total calculated savings exceeded the \$1.6 million cap<sup>10</sup> by this amount. Staff's total calculated savings exceeded the cap by \$9,350, due to the reduction in Gas Procurement savings as shown in Finding #4. Therefore, Staff increased the Capacity Release savings by the difference between the \$26,396 (Company) and \$9,350 (Staff) or \$17,046.

### **Company Response**

Nashville agrees with the conclusions of Staff in Finding #4.

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<sup>10</sup> Nashville Gas Service Schedule No. 14 (Performance Incentive Plan), Overview of Structure, page 1

**FINDING #5:**

**Exception**

The Company overstated the amount of interest owed by ratepayers by \$61 This represents a **\$61 over-recovery** from customers

**Discussion**

Staff recalculated the amount of interest on monthly account balance after making adjustments for Findings #3 and #4

**Company Response**

Nashville agrees with the conclusions of Staff in Finding #5

## VI. AUDIT CONCLUSIONS AND RECOMMENDATIONS

### Conclusions

Nashville Gas, except for the findings noted, has correctly calculated its share of savings under its Service Schedule No 14, Performance Incentive Plan, for the plan year ended June 30, 2003. The net findings are immaterial to the Company's filing. However, Staff has identified issues pertaining to the Incentive Plan tariff that need to be addressed going forward. The following concerns came to light during this audit:

The first concern is the asset management payment. Staff now believes that it was an error in allowing the inclusion of this payment for sharing under the Incentive Plan. The Company acted in good faith by including this payment for the current year under audit, based on past decisions of this Authority. Going forward, however, Staff believes this payment should be excluded from the Incentive Plan. The tariff reads:

"To the extent Nashville is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings shall be shared by Nashville and customers according to the following sharing formula."<sup>11</sup>

The tariff, as written, does not provide for an asset management fee. The only transactions included in the plan under the Capacity Management Incentive Mechanism are the Company's release of excess capacity and off-system sales. The engagement of an asset manager by Nashville to manage its assets is not a transaction covered by the tariff.

Also, the goal of an incentive plan is to encourage or "incent" companies to actively engage in purchase activities that generate approved gas cost savings for consumers. These activities should go beyond the normal prudent gas purchasing that is expected of a regulated utility. Engaging an asset manager to perform the activities on behalf of the company, does not demonstrate additional effort on the part of the company. As described in Finding #2, Nashville's RFP process consists primarily of emails to prospective asset managers and email or verbal responses. This process takes place typically once a year.

Additionally, Nashville is not able to provide Staff with a basis for the amount of the fee paid by the asset manager. The assets committed to the asset manager have been paid for by the consumer and therefore the consumer is entitled to a fair return on those assets. Logic dictates that the asset manager is making profits well in excess of the payment made to Nashville. Due to the complexity of this issue, Staff does not have the ability to determine whether or not the payments are fair and reasonable.

The second concern is the RFP process. The selection process should be transparent and fair to all parties. Failure to retain documentation, restricting RFP recipients and verbal bids that are not documented are all red flags to auditors. In the current accounting environment,

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<sup>11</sup> Service Schedule No 14, Performance Incentive Plan, page 4

following the collapse of such companies as Enron and WorldCom, financial transactions must be transparent and able to be audited. The federal government responded to these high-profile business failures with the Sarbanes-Oxley Act of 2002. This legislation has significant impact on the standards to which the accounting profession is held.

The third concern is the use of nationally published indexes in the Incentive Plan. There have been recent reports of flaws in the price indexes that are compiled by trade magazines. They include allegations of false reporting and manipulation of the indexes. The Commodity Future Trading Commission (CFTC) has imposed civil penalties against a number of energy companies. Reporting of prices is voluntary and the number of companies participating has declined. As an example, the following gas companies do not report their trades to a national index service: Nashville Gas, Piedmont Natural Gas, Atmos Energy and Woodward Marketing.<sup>12</sup> With a smaller sample population, there is more likelihood that market prices could be manipulated.

The final concern is the level of excess capacity maintained by Nashville Gas. A certain amount of excess capacity on the pipeline is necessary to guarantee delivery of gas to the firm residential customers on the projected coldest day of the year. What this level reasonably needs to be has not been addressed in Nashville's Incentive Plan. During the remainder of the year, excess capacity can be released to third parties to generate additional savings under the Incentive Plan that will benefit the Company's shareholders. Staff needs assurance that the level of capacity is reasonable and that the customers are not paying for capacity they don't need.

### **Recommendations**

- 1 The Authority should suspend the Incentive Plan<sup>13</sup> going forward and address the following issues:
  - a Inclusion of the Asset Management Fee
  - b Validity of the indexes used
  - c Reasonable level of excess capacity
- 2 The Authority should instruct Staff to oversee the RFP process.
- 3 The Authority should engage a consultant (paid for by the Company) to assist Staff with the audit process going forward. The complexity of the issues identified in this audit requires expert knowledge of the industry.

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<sup>12</sup> Atmos response to Staff DR dated March 1, 2004, #7 (Docket 03-00515) and Piedmont response to Staff DR dated December 17, 2003, #4 (Docket 03-00489).

<sup>13</sup> Service Schedule No. 14, Performance Incentive Plan, page 1 states, "The Plan will continue until the Plan is either (a) terminated at the end of a plan year by not less than 90 days notice by Nashville to the Authority or (b) the Plan is modified, amended or terminated by the Authority."

**V. JURISDICTION OF THE TENNESSEE REGULATORY AUTHORITY**

Tennessee Code Annotated (hereafter "T C A ") gave jurisdiction and control over public utilities to the Tennessee Regulatory Authority T C A § 65-4-104 states

The Authority has general supervisory and regulatory power, jurisdiction, and control over all public utilities, and also over their property, property rights, facilities, and franchises, so far as may be necessary for the purpose of carrying out the provisions of this chapter

Further, T C A § 65-4-105 grants the same power to the Authority with reference to all public utilities within its jurisdiction as chapters 3 and 5 of Title 65 of the T C A has conferred on the Department of Transportation's oversight of the railroads or the Department of Safety's oversight of transportation companies By virtue of T C A § 65-3-108, said power includes the right to audit

The department is given full power to examine the books and papers of the said companies, and to examine, under oath, the officers, agents, and employees of said companies to procure the necessary information to intelligently and justly discharge their duties and carry out the provisions of this chapter and chapter 5 of this title

## SERVICE SCHEDULE NO. 14 Performance Incentive Plan

### APPLICABILITY

The Performance Incentive Plan (the plan) replaces the reasonableness or prudence review of Nashville Gas Company's (Nashville or Company) gas purchasing activities overseen by the Tennessee Regulatory Authority (Authority). The plan is designed to provide incentives to Nashville in a manner that will produce rewards for its customers and its shareholders and improvements in Nashville's gas procurement activities. Each plan year will begin July 1. The annual provisions and filings herein would apply to this annual period. The Plan will continue until the Plan is either (a) terminated at the end of a plan year by not less than 90 days notice by Nashville to the Authority or (b) the Plan is modified, amended or terminated by the Authority.

### OVERVIEW OF STRUCTURE

Nashville's Performance Incentive Plan is comprised of two interrelated components

- Gas Procurement Incentive Mechanism
- Capacity Management Incentive Mechanism

The Gas Procurement Incentive Mechanism establishes a predefined benchmark index to which Nashville's commodity cost of gas is compared. It also addresses the recovery of gas supply reservation fees, the treatment of off-system sales and wholesale interstate sale for resale transactions, and the use of financial or private contracts in managing gas costs. The net incentive benefits or costs will be shared between the Company's customers and the Company on a 50% / 50% basis.

The Capacity Management Incentive Mechanism is designed to encourage Nashville to actively market off-peak unutilized transportation and storage capacity on upstream pipelines in the secondary market. The net incentive benefits or costs will be shared between the Company's customers and the Company utilizing a graduated sharing formula, with sharing percentages for Nashville ranging between zero and fifty percent.

The Company is subject to a cap on overall incentive gains or losses of \$1.6 million annually. In connection with the Performance Incentive Plan, Nashville shall file with the Authority Staff, and update each year a Three Year Supply Plan. Nashville will obtain additional firm capacity and/or gas supply pursuant to such plan.

### GAS PROCUREMENT INCENTIVE MECHANISM

The Gas Procurement Incentive Mechanism addresses the following areas



- Commodity Costs
- Gas Supply Reservation Fees
- Off-System Sales and Sale for Resale Transactions
- Use of Financial Instruments or Other Private Contracts

### COMMODITY COSTS

Each month Nashville will compare its *total city gate commodity cost of gas*<sup>1</sup> to a benchmark dollar amount. The benchmark gas cost will be computed by multiplying total actual purchase quantities for the month by a price index. The monthly price index is defined as

$$I = F_f(P_0K_0 + P_1K_1 + P_CK_C + \dots P_\infty K_\infty) + F_oO + F_dD, \text{ where}$$

$$F_f + F_o + F_d = 1, \text{ and}$$

$I$  = the monthly city gate commodity gas cost index

$F_f$  = the fraction of gas supplies purchased in the first-of-the-month market which are transported to the city gate under Nashville's FT service agreements

$P$  = the *Inside FERC Gas Market Report* price index for the first-of-the-month edition for a geographic pricing region, where subscript 0 denotes Tennessee Gas Pipeline (TGP) Rate Zone 0; subscript 1 denotes TGP Rate Zone 1, subscript C denotes Columbia Gas Transmission (CGT), Louisiana, plus applicable transportation and fuel charges in CGT's FT tariff to Rayne, and subscript  $\infty$  denotes new incremental firm services to which Nashville may

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<sup>1</sup> Gas purchases under Nashville's existing supply contract on the Tetco system are excluded from the incentive mechanism. Nashville will continue to recover 100 percent of these costs through its PGA with no profit or loss potential. Extension or replacement of such contract shall be subject to the same competitive bidding procedures that will apply to other firm gas supply agreements. In addition, Nashville's gas procurement incentive mechanism will measure storage gas supplies against the benchmark index during the months such quantities are purchased for injection. For purposes of comparing such gas purchase costs against the monthly city gate index price, Nashville will exclude any commodity costs incurred downstream of the city gate to storage so that Nashville's actual costs and the benchmark index are calculated on the same basis.

subscribe in the future<sup>2</sup> The commodity index prices will be adjusted to include the appropriate pipeline maximum firm transportation (FT) commodity transportation charges and fuel retention to the city gate under Nashville's FT service agreements

$K$  = the fraction (relative to total maximum daily contract entitlement) of Nashville's total firm transportation capacity under contract in a geographic pricing region, where the subscripts are as above<sup>3</sup>

$F_o$  = the fraction of gas supplies purchased in the first-of-the-month spot market which are delivered to Nashville's system using transportation arrangements other than Nashville's FT contracts.

$O$  = the weighted average of *Inside FERC Gas Market Report* first-of-the-month price indices, plus applicable maximum IT rates and fuel retention, from the source of the gas to the city gate, where the weights are computed based on actual purchases of gas supplies purchased by Nashville and delivered to Nashville's system using transportation arrangements other than Nashville's FT contracts

$F_d$  = the fraction of gas supplies purchased in the daily spot market

$D$  = the weighted average of daily average index commodity prices taken from *Gas Daily* for the appropriate geographic pricing regions, where the weights are computed based on actual purchases made during the month The commodity index prices will be adjusted to include the appropriate maximum transportation commodity charges and fuel retention to the city gate

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<sup>2</sup> To the extent that Nashville renegotiates existing reservation fee supply contracts or executes new reservation fee supply contracts with commodity pricing provisions at a discount to the first-of-the-month price index, Nashville shall modify the monthly commodity price index to reflect such discount

<sup>3</sup> Because the aggregate maximum daily contract quantities in Nashville's FT contract portfolio vary by month over the course of the year, the weights will be recalculated each month to reflect actual contract demand quantities for such month The contract weights, and potentially the price indices used, will also vary as Nashville renegotiates existing or adds new FT contracts As new contracts are negotiated, Nashville shall modify the index to reflect actual contract demand quantities and the commodity price indices appropriate for the supply regions reached by such FT agreements

If the actual total commodity gas purchase cost in a month is within one percent of the benchmark dollar amount, there will be no incentive gains or losses. If the actual total commodity gas purchase cost varies from the benchmark dollar allowance by more than one percent, the variance in excess of the one percent threshold shall be deemed incentive gains or losses under the plan. Such gains or losses will be shared 50/50 between the Company and the ratepayers.

#### Gas Supply Reservation Fees

Nashville will continue to recover 100% of gas supply reservation fee costs through its PGA with no profit or loss potential. For new contracts and/or contracts subject to renegotiation during the Plan year, Nashville will solicit bids for gas supply contracts containing a reservation fee.

#### Off-System Sales And Sale For Resale Transactions

Margin on off-system sales and wholesale sale-for-resale transactions using Nashville's firm transportation and capacity entitlements (the costs of which are recovered from Nashville's ratepayers) shall be credited to the commodity gas cost component of the Gas Procurement Incentive Mechanism and will be shared with ratepayers. Margin on such sales will be defined as the difference between the sales proceeds and the total variable costs incurred by Nashville in connection with the transaction, including transportation and gas costs, taxes, fuel, or other costs. For purposes of gas costs, Nashville will impute such costs for its related supply purchases at the benchmark first-of-the-month or daily index, as appropriate, on the pipeline and in the zone in which the sale takes place. The difference between Nashville's actual costs and such index price is taken into account under the Gas Procurement Incentive Mechanism. As to transportation costs, Nashville will impute such costs up to the transporting pipeline's maximum interruptible transportation (IT) rate. The difference between the maximum IT rate and Nashville's actual transportation commodity costs will be treated as capacity release margin under the Capacity Management Incentive Mechanism. After deducting the total transaction costs from the sales proceeds, any remaining margin will be credited to commodity gas costs and shared on a 50/50 basis with ratepayers.

#### Use Of Financial Instruments Or Other Private Contracts

To the extent Nashville uses futures contracts, financial derivative products, storage swap arrangements, or other private agreements to hedge, manage or reduce gas costs, any gains or losses will flow through the commodity cost component of the Gas Procurement Incentive Mechanism.

#### CAPACITY MANAGEMENT INCENTIVE MECHANISM

To the extent Nashville is able to release transportation or storage capacity, or generate transportation or storage margin associated with off-system or wholesale sales-for-resale, the associated cost savings shall be shared by Nashville and customers according to the following sharing formula:

| Capacity Management<br>Incentive cost savings as a<br>percent of Nashville's annual<br>transportation and storage<br>demand costs. | Sharing percentages<br>Nashville/Customers<br>(Percent) |
|--|---|
| Less than or equal to 1 percent  | 0/100   |
| Greater than 1 percent but less<br>than or equal to 2 percent  | 10/90   |
| Greater than 2 percent but less<br>than or equal to 3 percent  | 25/75   |
| Greater than 3 percent   | 50/50   |

The sharing percentages shall be determined based on the actual demand costs incurred by Nashville (exclusive of credits for capacity release) for transportation and storage capacity during the plan year, as such costs may be adjusted due to refunds or surcharges from pipeline and storage suppliers. Any incentive gains or losses resulting from adjustments to the sharing percentages caused by refunds or surcharges shall be recorded in the current Incentive Plan Account (IPA).

#### DETERMINATION OF SHARED SAVINGS

Each month during the term of plan, Nashville will compute any gains or losses in accordance with the plan. If Nashville earns a gain, a separate Incentive Plan Account (IPA) will be debited with such gain. If Nashville incurs a loss, that same IPA will be credited with such loss. During a plan year, Nashville will be limited to overall gains or losses totaling \$1.6 million. Interest shall be computed on balances in the IPA using the same interest rate and methods as used in Nashville's Actual Cost Adjustment (ACA) account. The offsetting entries to IPA gains or losses will be recorded to income or expense, as appropriate. At its option, however, Nashville may temporarily record any monthly gains in a non-regulatory deferred credit balance sheet account until results for the entire plan year are available.

Gains or losses accruing to the Company under the Plan will form the basis for a rate increment or decrement to be filed and placed into effect separate from any other rate adjustments to recover or refund such amount over a prospective twelve-month period.

Each year, effective November 1, the rates for all customers, excluding interruptible transportation customers who receive no direct benefit from any gas cost reductions resulting from the plan, will be increased or decreased by a separate rate increment or decrement designed to amortize the collection or refund of the June 30 IPA balance.

over the succeeding twelve month period. The increment or decrement will be established by dividing the June 30 IPA balance by the appropriate volumetric billing determinants for the twelve months ended June 30. During the twelve month amortization period, the amount collected or refunded each month will be computed by multiplying the billed volumetric determinants for such month by the increment or decrement, as applicable. The product will be credited or debited to the IPA, as appropriate. The balance in the IPA will be tracked as a separate collection mechanism.

#### FILING WITH THE AUTHORITY

The Company will file calculations of shared savings and shared costs quarterly with the Authority not later than 60 days after the end of each interim fiscal quarter and will file an annual report not later than 60 days following the end of each plan year. Unless the Authority provides written notification to the Company within 180 days of such reports, the Incentive Plan Account shall be deemed in compliance with the provisions of this Service Schedule.

#### PERIODIC INDEX REVISIONS

Because of changes in the natural gas marketplace, the price indices utilized by the Company, and the composition of the Company's purchased gas portfolio may change. The Company shall, within 30 days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written justification to the Company within 30 days of such notice, the price indices shall be deemed approved as proposed by the Company.

#### GAS SUPPLY INCENTIVE COMPENSATION PROGRAM

The Company has in place a Gas Supply Incentive Compensation Program (the Program) designed to provide incentive compensation to selected Gas Supply non-executive employees involved in the implementation of the Nashville Incentive Plan and Secondary Marketing Programs in a manner consistent with the benefits achieved for customers and shareholders through improvements in gas procurement and secondary marketing activities. Participants in the program receive incentive compensation as recognition for their contribution to the customers and shareholders of the Company through lower gas costs and gains related thereto. Performance measures are established for the Program each year.

During the time this tariff is in effect, the Company will continue to have in place the Gas Supply Incentive Compensation Program, as detailed to the Authority, as it relates to the Nashville Incentive Plan. The Company will advise the Authority in writing of any changes to the Program, and unless the Company is advised within 60 days, said changes will become effective. No filing for prior approval is required for changes in the performance measures.

## **Attachment G**

March 26, 2002

Mr Earl H Burton  
Manager - Marketing & Rates  
Chattanooga Gas Company  
6125 Preservation Drive  
Chattanooga, TN 37416

Dear Mr Burton

This is to acknowledge receipt of your letter dated February 28, 2002 enclosing a PGA/Tariff filing revision for Chattanooga Gas Company. Certain amended pages were received on March 15, 2002. The tariff revisions were made to reflect the Company's current WACOG cost of storage gas. The Company has proposed to use this cost in place of the current NYMEX close for April 2002, in order to begin reducing the significant under-recovered balance in its deferred gas cost account. Also included in this filing is an IMCR refund consisting of Off-System Sales profits (50% of which is refunded to the customers), payments received through the Company's Asset Management Agreement, and the balance of the prior 99-00 IMCR filing. I have reviewed this filing and it appears to be correct. The rates are approved to be effective on April 1, 2002.

For future reference, this PGA/Tariff filing is logged as number 02-00229. Please refer to this number in any correspondence regarding this particular filing.

Sincerely,

Pat Murphy  
Senior Financial Analyst  
Energy and Water Division

cc Dan McCormac  
Archie Hickerson

FM02-16egcpga

## **Attachment H**



## Archie Hickerson

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**From** Pat Murphy [Pat Murphy@state tn us]  
**Sent** Monday, June 30, 2003 11 12 AM  
**To** Archie Hickerson  
**Cc** Mike Gaines  
**Subject** Tariff filing



pm03-39 cgctariff d  
oc (27 KB)

Archie,

Attached is a Staff data request pertaining to your recent tariff filing for a revision of Chattanooga Gas Tariff No 1, Sixth Revised Sheet No 48. The original will be mailed today. The request has been assigned a tariff no 03-00408. Please respond as soon as possible.

Thanks,  
Pat

# TENNESSEE REGULATORY AUTHORITY



Sara Kyle, Chairman  
Deborah Taylor Tate, Director  
Pat Miller, Director  
Ron Jones, Director

460 James Robertson Parkway  
Nashville, Tennessee 37243-0505

June 30, 2003

Mr Archie R Hickerson  
Manager - Rates  
Atlanta Gas Light Company  
Location 1686  
P O Box 4569  
Atlanta, GA 30302-4569

RE Revision to Chattanooga Gas Tariff No 1 – Sixth Revised Sheet No 48  
Tariff Filing No 03-00408

Dear Mr Hickerson

To clarify Chattanooga's request for a revision to its tariff as referenced above, pertaining to the language in its Interruptible Margin Credit Rider, please provide answers to the following questions Please respond to this data request by July 14, 2003

- 1 Please explain the types of non-sales transactions, other than off-system sales, that the tariff is referring to
- 2 What gas supply assets are utilized in the Company's transactions with non-jurisdictional customers?
- 3 When did the Company first become involved in transactions other than off-system sales?
- 4 Does Chattanooga still have an Asset Management Agreement with its affiliate (Sequent Energy Management) for the management of its gas supply assets? If so, how will the change in tariff language affect this agreement?
- 5 If there is still an Asset Management Agreement currently in effect between Chattanooga and Sequent, please provide a copy of the agreement
- 6 If Sequent is still managing Chattanooga's gas supply assets, how will the new tariff language benefit Sequent? How will it benefit the customers of Chattanooga?

- 7 Please quantify the benefits to Chattanooga's customers under the new tariff language, as compared to the \$300,000 payment from Sequent under the Asset Management Agreement What would the benefit have been during the calendar year 2002? What is it projected to be during the calendar year 2003?

If you have any questions regarding this request, you can contact me at (615) 741-2904, extension 178

Sincerely,



Pat Murphy  
Senior Financial Analyst  
Energy and Water Division

cc Mike Gaines  
Dan McCormac

PM03-39 egctariff

## Attachment I

**Archie Hickerson**

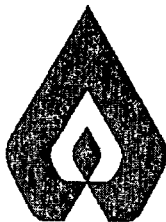
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**From** Archie Hickerson  
**Sent** Thursday, July 10, 2003 11 37 AM  
**To** 'Pat Murphy@state tn us'  
**Cc** 'Mike Gaines@state tn us'  
**Subject** Response to June 30n Data Request Tariff Filing 03-00408

Pat,

Attached are CGC's response to your June 30,2003 data request in reference to Tariff Filing 03-00408 The Company considers the response to question 7 confidential and request that it not be made public I have included two versions of the response One with the confidential portion deleted (Public Copy) and one that includes the confidential data (Confidential Copy)

I am also sending a hard copy by mail



Chattanooga Gas Company / 2207 Olan Mills Drive/ Chattanooga TN 37421  
Telephone 1-800-427-5463

July 10, 2003

Ms Pat Murphy, Senior Financial Analyst  
Energy and Water Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville TN 37243-0505

RE Revision to Chattanooga Gas Tariff No 1 – Sixth Revised Sheet No 48  
Tariff Filing No 03-00408

Dear Mr Gaines,

Attached are Chattanooga Gas Company's responses to the Tennessee  
Regulatory Authority Staff's June 30, 2003 Data Request in Tariff Filing  
No 03-00408

We are requesting that the estimated sharing for calendar year 2003 as  
presented in response to question # 7 be treated as confidential I will  
provide both a proprietary and a non proprietary version of the response

If you have any question, please call me at 404 584 3855

Sincerely

Archie R Hickerson  
Manager - Rates

Cc Mike Gaines  
Dan McCormac

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

- 1. Please explain the types of non-sales transactions, other than off-system sales, that the tariff is referring to.**

One example of a "non-sales transaction" would involve Chattanooga Gas Company (CGC) through Sequent, acting as agent, entering into a contract to deliver gas to a non-jurisdictional customer, as defined in our tariff, several months in the future. Simultaneously with its commitment for future deliveries, Sequent will purchase a financial instrument in the form of a futures contract which "locks-in" or should insure a profit on that future sale, which is subject to sharing.

Another example involves the use of CGC's capacity rights on an interstate pipeline in a segmented manner. Although the use of these capacity rights involve the sale of gas off-system (at points other than the city gate) it is the enhanced use/optimization of the transportation which creates the opportunity to these transactions and value to CGC.

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

**2. What gas supply assets are utilized in the Company's transactions with non-jurisdictional customers?**

The assets involved are primarily the Company's interstate pipeline transportation and storage contracts, and its LNG facility



Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

**3. When did the Company first become involved in transactions other than off-system sales?**

In 2001, AGL Resources ("AGLR"), the parent company of Chattanooga Gas Company, created Sequent Energy Management, L P ("Sequent"), which is a gas asset optimization and wholesale services company. One of Sequent's functions is to centrally manage the gas supply assets of CGC and AGLR's other regulated affiliates in Georgia and Virginia.

During the 2001 time frame, it became apparent opportunities existed to engage in transactions, as discussed in item 1 above, that were not traditional off-system sales subject to sharing under the current CGC tariff that was implemented in 1986. In exchange for the opportunity to act as agent for CGC and optimize CGC's regulated assets in non-jurisdictional transactions, Sequent entered into an asset management agreement "Gas Storage Asset Bailment Agreement" with CGC that provided CGC's customers with a guaranteed annual payment of \$300,000 as a replacement for the traditional 50/50 sharing arrangement. Prior to the 2001 agreement, CGC customers had received \$103,000 for the twelve months ended June 1999 and \$212,000 for the twelve months ended June 2000.

Recently Atlanta Gas Light Company (AGLC) entered into an agreement with the Georgia Public Service Commission that provides for 50/50 sharing of the net gain from AGLC's asset management agreement. We have tracked the sharing and believe this sharing arrangement provides more benefits for the customers.

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

4. **Does Chattanooga still have an Asset Management Agreement with its affiliate (Sequent Energy Management) for the management of its gas supply assets? If so, how will the change in tariff language affect this agreement?**

Yes The agreement will be modified to reflect the 50/50 sharing of net margin on all non-jurisdictional transactions

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

5. **If there is still an Asset Management Agreement currently in effect between Chattanooga and Sequent, please provide a copy of the agreement.**

A proprietary copy of the "Gas Storage Asset Bailment Agreement" was included as an exhibit to the Securities and Exchange Commission Form U-9C-3 for the Quarter Ended March 31, 2003 that was filed with the TRA

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

6. **If Sequent is still managing Chattanooga's gas supply assets, how will the new tariff language benefit Sequent? How will it benefit the customers of Chattanooga?**

Sequent will benefit by having all three jurisdictions (Tennessee, Georgia, and Virginia) on very similar sharing plans thus simplifying accounting and transaction tracking

The new tariff language will insure that CGC's customers will not only continue to receive credits that results from gains on the traditional off-system sales, but will receive 50% of the net margin on other transactions that utilize CGC's gas supply assets

Chattanooga Gas Company Response  
Tennessee Regulatory Authority  
Staff June 302003 Data Request  
Tariff Filing No 03-00408

7. **Please quantify the benefits to Chattanooga's customers under the new tariff language, as compared to the \$300,000 payment from Sequent under the Asset Management Agreement. What would the benefit have been during the calendar year 2002? What is it projected to be during the calendar year 2003?**

We can not, with any precision, quantify for calendar year 2002 what the effect of the tariff change would be. However since the proposed tariff language includes all transactions, it is assumed the benefit to CGC's customer would be at least as much as they would have received otherwise.

The Company has accounted for sharing under the proposed tariff language since January 1, 2003. Because of the volatility associated with the gas market this year, it is roughly estimated that sharing may be as great as \$(Proprietary) on an annual basis. However, the actual amount is dependent on the volatility of the market during the remaining six months.

## Attachment J

## Performance-Based Ratemaking

### Applicability

This Performance-Based Ratemaking Mechanism (PBRM) is designed to encourage the utility to maximize its gas purchasing activities at minimum cost consistent with efficient operations and service reliability. Each plan year will begin July 1. The annual provision and filings herein will apply to this annual period. The PBRM will continue until it is either (a) terminated at the end of a plan year or by not less than 90 days notice by the Company to the Authority or (b) modified, amended or terminated by the Authority.

### Overview of Structure

The Performance-Based Ratemaking Mechanism establishes predefined monthly benchmark indexes to which the Company's commodity cost is compared.

### Benchmark Index

Each month, Chattanooga will compare its actual commodity cost of gas to the appropriate benchmark amount. The benchmark gas cost will be computed by multiplying actual purchase quantities for the month, including quantities purchased for injection into storage, by the appropriate benchmark price index.

#### Spot Market Purchases

The monthly spot market benchmark is the "Index" price published in the first issue of the delivery month of *Inside FERC's Gas Market Report* in the table titled "Price of Spot Gas Delivered to Pipelines," denoted in the column labeled "Index" and the row for the applicable "Pricing Point."

#### Swing Purchases

For swing purchases, the benchmark "Index" price for gas delivered on any day upon which *Gas Daily* is published, is equal to the Gas Daily-Midpoint price for the immediately following day under the heading "Daily Price Survey." For gas delivered on Saturday, Sunday, or any other day upon which *Gas Daily* is not published, the price index is equal to the Daily-Midpoint for the nearest subsequent day published by *Gas Daily*.

#### Long-term purchases

For long term purchases, i.e., a term more than one month, the "Index" price published in the first issue of the delivery month of *Inside FERC's Gas Market Report* in the table titled "Price of Spot Gas Delivered to Pipelines" denoted in the column labeled "Index" and the row for the applicable "Pricing Point" will be adjusted for the Company's rolling three-year average premium paid to ensure long-term supply availability during peak periods.

#### City Gate Purchases

For city gate purchases where gas is delivered by the supplier to the local distribution company, the indexes will be adjusted for the avoided transportation costs that would have been paid if the upstream capacity were purchased versus the demand charges actually paid to the supplier.

**Performance-Based Ratemaking**

**Performance-Based Ratemaking (Continued)**

**Prudence Determination**

If Chattanooga's total commodity gas cost for the plan year does not exceed the total benchmark amount by one percentage points (1%) during a plan year ending after June 30, 2000, Chattanooga's gas cost will be deemed prudent and the audit required by Tennessee Regulatory Authority's Administrative Rule 1220-4-7- 05 is waived. If during any month of the plan year, the Company's commodity gas cost exceed the benchmark amount by greater than two percentage points (2%), the Company shall file a report with the Authority fully explaining why the cost exceeded the benchmark.

**Filing with the Authority**

The Company will file an annual report not later than 60 days following the end of each plan year identifying the actual cost of gas purchased and the applicable index for each month of the plan year.

Unless the Authority provides written notification to the Company within 180 days of such reports, the annual filing shall be deemed in compliance with the provisions of this Service Schedule.

**Periodic Index Revisions**

Because of changes in the natural gas marketplace, the price indices used by Chattanooga, and the composition of Chattanooga's purchased gas portfolio may change. The Company shall, within 30 days of identifying a change to a significant component of the mechanism, provide notice of such change to the Authority. Unless the Authority provides written notice to Chattanooga within 30 days of the Company's notice to the Authority, the price indices shall be deemed approved as proposed by the Company.



## Attachment K

## Archie Hickerson

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**From.** Pat Murphy [Pat Murphy@state tn us]  
**Sent** Wednesday, April 07, 2004 12 32 PM  
**To** Archie Hickerson  
**Subject** RE Staff Data Request (03-00516)

Archie,

I think Randal is on board with getting a protective order I'll keep you advised

Pat

>>> "Archie Hickerson" <ahickers@aglresources com> 4/7/2004 9 00:24 AM  
>>>

Pat,

Does the TRA have an Attorney General's Opinion that the TRA Staff's workpapers are not subject to the open records act? When I was at the Public Service Commission, I was told that our workpapers were not protected? Can we get a protective order protecting the documents?

-----Original Message-----

From Pat Murphy [mailto:Pat Murphy@state tn us]  
Sent Wednesday, April 07, 2004 9 55 AM  
To Archie Hickerson  
Cc Randal Gilliam  
Subject Staff Data Request (03-00516)

Archie,

In its response to Staff Data Request dated February 25, 2004, question no 1, the Company stated that copies of the un-redacted invoices would be made available for TRA Staff review at its attorney's office in Nashville That is unacceptable to the Staff These un-redacted invoices must be provided to Staff as requested If the Company wishes to send them labelled as "Confidential," that is acceptable, but they will become part of the Staff's workpapers

I wanted to make you aware that if the information is not provided, the issue may rise to a higher level For instance, it could be cited as a scope limitation in the audit and Staff would not be able to provide assurance to the Authority that the Company is in compliance with the PGA Rule

Please let me know by tomorrow how the Company wishes to handle this issue

Thanks,  
Pat

## Attachment L

## Archie Hickerson

---

From Pat Murphy [Pat.Murphy@state.tn.us]  
Sent Thursday, April 15, 2004 3:08 PM  
To Archie Hickerson  
Cc Hal Novak, Randal Gilliam  
Subject CGC ACA data request

Archie,

I spoke with Randal yesterday afternoon regarding the alternatives for Staff getting the un-redacted invoices for Sequent. I thought a protective order was a viable option. But now Randal says it is not. His reason being this is not a contested case.

The only options he can offer are a confidentiality agreement between the Company and Staff, whereby nothing would be put on the internet and the Company would be notified if anyone made a request to see the documents. I don't think this would work, because how would it be enforced? There is no guarantee that a request would be made thru me or that I would be here down the line when a request is made. You need to remember that since this is a data request for a compliance audit, the data requests are not placed into the Authority's docket file and are not scanned on the internet. They are kept with Staff's workpapers in a secure location. However, they are subject to the open records act. But the risk is minimal that anyone outside of Staff would ever know they existed.

Randal's second option is a subpoena. I don't think anyone wants to go there, but if it's the only way, he may decide to.

My own third option is to make this a Company imposed scope limitation to the audit in my report. In that case, I could not provide an opinion to the Directors whether or not the Company is in compliance with the terms of the PGA Rule.

I think this is your final answer. Please let me know soon what the Company wants to do. If you want to talk more about it, give me a call.

Pat

## Attachment M



## Chattanooga Gas Company

6125 Preservation Drive

Chattanooga, TN 37416

Telephone (423) 490-4302

November 17, 2000

Ms Pat Murphy  
Rate Analyst  
Energy and Water Division  
Tennessee Regulatory Authority  
460 James Robertson Parkway  
Nashville TN 37243-0505

Dear Ms Murphy,

Pursuant to the Tennessee Regulatory Authority's Rules and Regulations, Chattanooga Gas Company hereby files two (2) *revised* copies of the following revisions to Chattanooga Gas Tariff No. 1

Fifty-ninth Revised Sheet No 53  
Fifty-seventh Revised Sheet No 55

We request that the TRA withdraw the original filing dated November 1, 2000, and replace with this revised filing. The attached revised filing reflects the most recent gas prices which have increased substantially since the original filing date. The revised filing will better reflect the Company's gas costs, and avoid an under-collection of gas costs attributable to a very volatile gas market. We propose that this Purchased Gas Adjustment (PGA) rate filing become effective December 1, 2000.

The current filing also includes the following surcharge/refunds that we propose to make effective for December 1, 2000

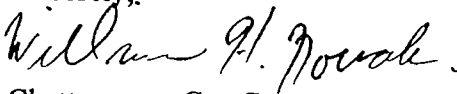
- 1 Allocation of ACA 1999-2000 surcharge
- 2 Supplier Refund, (Refund outstanding balance of \$321,011)
- 3 IMCR Refund, (Refund outstanding balance of \$931,099)

Historically, the Interruptible Margin Credit Rider, IMCR, has been used to recover margin losses from negotiated rates, and to refund 50% of off-system sales revenues to customers. The provisions of this rider allowed the Company to recover all gross margin losses from the firm commodity component of gas costs. In recent filings, the Company has elected to recover SS-1 margin losses through the ACA filing, subsequently, the main purpose of the IMCR filing has in effect changed from its original intent in that the filing provides for significant refunds to the Company's customers. Additionally, since most of the Company's off-system sales revenues are derived from assets that are paid for through the demand component of the firm gas costs, the Company maintains that it is more appropriate to credit off-system sales revenues to the demand cost component of gas costs. This ensures that customer's paying for these assets are receiving benefit from the Company's prudent management of these assets.

Page 2  
Ms Pat Murphy

The ACA filing includes an outstanding WNA Recovery for the 1997-1998 year in the amount of \$102,283. This WNA under-recovery has not been recovered through a PGA filing. Should there be any questions, I will be glad to discuss, or you may contact Earl Burton at (423) 490-4311.

Sincerely,



Chattanooga Gas Company

By William H. Novak

Enclosures

C     Mr. Dan McCormac  
       Mr. Earl Burton  
       Mr. Amanda Hwang

CHATTANOOGA GAS COMPANY  
COMPUTATION OF CURRENT COST OF GAS  
BASED ON VOLUMES FOR TWELVE MONTHS ENDED September 30, 2000  
PGA Filing Effective Date December 1, 2000

Page 1

**FIRM COST (D)**

| <u>Supplier</u>                              | <u>Current Rate</u> | <u>Total Volume DT</u> | <u>Monthly Charge</u> | <u>Number of Months</u> | <u>Gas Cost</u>     |
|--|---------------------|------------------------|-----------------------|-------------------------|---------------------|
| <b>TENNESSEE</b>                             |                     |                        |                       |                         |                     |
| FT Reservation Charge                        | \$5 61000           | 39,792                 | \$223,233             | 12                      | \$2,678,796         |
| FS Storage - Production Area - Deliverabilit | \$2 02000           | 13,659                 | \$27,591              | 12                      | \$331,092           |
| FS Storage - Production Area - Space         | \$0 02480           | 2,042,390              | \$50,651              | 12                      | \$607,812           |
| FS Storage - Market Area - Deliverability    | \$1 17000           | 7,741                  | \$9,057               | 12                      | \$108,684           |
| FS Storage - Market Area - Space             | \$0 01870           | 852,287                | \$15,938              | 12                      | \$191,256           |
| <b>EAST TENNESSEE</b>                        |                     |                        |                       |                         |                     |
| FT-A Demand                                  | \$7 39000           | 46,350                 | \$342,527             | 12                      | \$4,110,324         |
| CNG GSS Storage - Demand                     | \$1 83440           | 2,483                  | \$4,555               | 12                      | \$54,660            |
| CNG GSS Storage - Capacity                   | \$0 01340           | 151,974                | \$2,036               | 12                      | \$24,432            |
| <b>SOUTHERN</b>                              |                     |                        |                       |                         |                     |
| FT Reservation Charge                        | \$11 28470          | 13,221                 | \$149,195             | 12                      | \$1,790,340         |
| FT-NN Reservation Charge                     | \$11 28470          | 14,346                 | \$161,890             | 12                      | \$1,942,680         |
| CSS Storage - Deliverability                 | \$1 54400           | 14,346                 | \$22,150              | 12                      | \$265,800           |
| CSS Storage - Capacity                       | \$0 02834           | 710,484                | \$20,135              | 12                      | \$241,620           |
| <b>TOTAL FIRM COST</b>                       |                     |                        |                       |                         | <b>\$12,347,496</b> |

**COMMODITY COST (P)**

| <u>Supplier</u>                |        | <u>Current Rate</u> | <u>Annual MCF</u> | <u>Company Use</u> | <u>Total MCF Available</u> | <u>Current Annual Gas Cost</u> |
|--------------------------------|--------|---------------------|-------------------|--------------------|----------------------------|--------------------------------|
| <b>EAST TENNESSEE</b>          |        |                     |                   |                    |                            |                                |
| FT                             | (a)    | \$6 31512           | 5,927,023         | (4,086)            | 5,922,937                  | \$37,404,073                   |
| FS Storage Injection           | (a)(c) | \$6 11448           | (1,762,097)       | 1,215              | (1,760,882)                | (\$10,766,870)                 |
| FS Storage Withdrawal          | (a)    | \$3 98983           | 1,372,044         | (946)              | 1,371,098                  | \$5,470,448                    |
| CNG Storage Injection          | (a)(c) | \$6 11448           | (74,608)          | 51                 | (74,557)                   | (\$455,877)                    |
| CNG Storage Withdrawal         | (a)    | \$3 73257           | <u>133,922</u>    | <u>(92)</u>        | <u>133,830</u>             | <u>\$499,530</u>               |
| <b>TOTAL EAST TENNESSEE</b>    |        |                     | 5,596,284         | (3,858)            | 5,592,426                  | \$32,151,304                   |
| <b>SOUTHERN</b>                |        |                     |                   |                    |                            |                                |
| FT                             | (b)    | \$6 05873           | 5,335,856         | (3,678)            | 5,332,178                  | \$32,306,249                   |
| IT and Purchase of End-User Ga | (b)    | \$3 75000           | 119,503           | (82)               | 119,421                    | \$447,829                      |
| CSS Storage Injection          | (b)(c) | \$5 91041           | (371,767)         | 256                | (371,511)                  | (\$2,195,782)                  |
| CSS Storage Withdrawal         | (b)    | \$3 33226           | <u>823,810</u>    | <u>(568)</u>       | <u>823,242</u>             | <u>\$2,743,258</u>             |
| <b>TOTAL SOUTHERN</b>          |        |                     | 5,907,402         | (4,072)            | 5,903,330                  | \$33,301,554                   |
| <b>LIQUEFIED NATURAL GAS</b>   |        |                     |                   |                    |                            |                                |
| Liquefaction and Turbine Fuel  | (a)    | \$6 31512           | (474,845)         |                    | (474,845)                  | (\$2,998,704)                  |
| Boiloff and Vaporization       | (d)    | \$4 51793           | <u>1,105,113</u>  |                    | <u>1,105,113</u>           | <u>\$4,992,820</u>             |
| <b>TOTAL LNG</b>               |        |                     | 630,268           |                    | 630,268                    | \$1,994,116                    |
| <b>TOTAL COMMODITY COST</b>    |        |                     | 12,133,954        | (7,930)            | 12,126,024                 | <b>\$67,446,974</b>            |
| Average Commodity Cost Per MCF |        |                     |                   |                    |                            | <b>\$5 56217</b>               |

**TOTAL COST**

**\$79,794,470**

- (a) 1 036 BTU adjustment included in above ETNG rates  
(b) 1 008 BTU adjustment included in above SNG rates  
(c) WACOG of ET and SNG purchases excl transportation rate Detail - page 3  
(d) Based on LNG "LIFO" Cost / MCF Detail - page 2



DETAIL OF RATES USED TO COMPUTE PURCHASED GAS ADJUSTMENT EFFECTIVE December 1, 2000

MCF VOLUMES FOR LNG AND COMPANY USE / GAS INTO AND OUT OF LNG PLANT FOR TWELVE MONTHS ENDED

September 30, 2000

## QUEFIED NATURAL GAS

| Month        | MCF Liquefied<br>(Into Tank) | Turbine<br>Fuel | CF Liquefied<br>+ Turbine Fuel | ETNG/Spot<br>Commodity<br>WACOG/Mc | Turbine<br>Fuel<br>+ 6% Tax | Total Cost<br>w/o Tax | Total<br>Cost      | Rate             | Co<br>Use      | Boil-Off       | Less<br>Vapor<br>Fuel | Net<br>Boil-Off | Vaporized      | Net<br>(To)/From<br>Plant |
|--------------|------------------------------|-----------------|--------------------------------|------------------------------------|-----------------------------|-----------------------|--------------------|------------------|----------------|----------------|-----------------------|-----------------|----------------|---------------------------|
| Jan 00       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (383)          | 25,512         | 3,974                 | 21,538          | 132,472        | 154,010                   |
| Feb 00       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (533)          | 19,849         | 8,842                 | 11,007          | 284,606        | 295,613                   |
| Mar 00       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (528)          | 23,627         | 0                     | 23,627          | 0              | 23,627                    |
| Apr 00       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (441)          | 25,435         | 0                     | 25,435          | 0              | 25,435                    |
| May 00       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (1,042)        | 16,131         | 0                     | 16,131          | 0              | 16,131                    |
| June 00      | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (610)          | 15,362         | 0                     | 15,362          | 0              | 15,362                    |
| Jul 00       | 0                            | 0               | 0                              | \$0 00000                          | \$0 00000                   | \$0                   | \$0                |                  | (768)          | 33,129         | 0                     | 33,129          | 242,928        | 276,057                   |
| Aug 00       | 164,309                      | 48,068          | 212,377                        | \$3 82000                          | \$4 04920                   | \$811,280             | \$822,297          |                  | (744)          | 21,686         | 4,229                 | 17,457          | 140,955        | (53,965)                  |
| Sep 00       | 183,458                      | 79,010          | 262,468                        | \$4 62000                          | \$4 89720                   | \$1,212,602           | \$1,234,504        |                  | (753)          | 30,539         | 0                     | 30,539          | 0              | (231,929)                 |
| Oct 99       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (559)          | 21,978         | 0                     | 21,978          | 0              | 21,978                    |
| Nov 99       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (832)          | 22,470         | 0                     | 22,470          | 0              | 22,470                    |
| Dec 99       | 0                            | 0               | 0                              |                                    |                             | \$0                   | \$0                |                  | (737)          | 25,260         | 1,244                 | 24,016          | 41,463         | 65,479                    |
| <b>TOTAL</b> | <b>347,767</b>               | <b>127,078</b>  | <b>474,845</b>                 | <b>\$4 26220</b>                   | <b>\$4 51793</b>            | <b>\$2,023,882</b>    | <b>\$2,056,801</b> | <b>\$4 51793</b> | <b>(7,930)</b> | <b>280,978</b> | <b>18,289</b>         | <b>262,689</b>  | <b>842,424</b> | <b>630,268</b>            |

DETAIL OF RATES USED TO COMPUTE PURCHASED GAS ADJUSTMENT  
EFFECTIVE.

December 1, 2000

## TENNESSEE NATURAL GAS COMPANY

|                                       | DT      | RATE             | TOTAL       |
|---------------------------------------|---------|------------------|-------------|
| FIRM TRANSPORTATION (FT)              |         |                  |             |
| Reservation Charges - Supplier 1      | 205,808 | \$0 00000        | \$0         |
| Supplier 2                            | 425,326 | \$0.01000        | \$4,253     |
| Supplier 3                            | 0       | \$0 00000        | \$0         |
| TGP Commodity - Supplier 1            | 0       | \$0.00000        | \$0         |
| Supplier 2                            | 433,721 | \$5 79800        | \$2,514,714 |
| SPOT Commodity - Supplier 1           | 16,549  | \$5.79800        | \$95,951    |
| Supplier 2                            | 0       | \$0 00000        | \$0         |
| Supplier 3                            | 0       | \$0 00000        | \$0         |
| Total                                 | 450,270 | \$5 80744        | \$2,614,918 |
| TGP Fuel                              | (7,655) |                  |             |
| TGP Transport                         | 442,615 | \$0 06211        | \$27,491    |
| Total TGP                             | 442,615 | \$5 96999        | \$2,642,409 |
| ET - Supplier 1 - Reservation Charges | 4,978   | \$7 58000        | \$37,733    |
| ET - Supplier 1 - Commodity           | 154,318 | \$5 79800        | \$894,736   |
| Total                                 | 154,318 |                  | \$932,469   |
| Total TGP and ET                      | 596,933 | \$5 98874        | \$3,574,878 |
| ETN Fuel                              | (9,432) |                  |             |
| ETN Transport                         | 587,502 | \$0 01080        | \$6,345     |
| Rate/MMBTU                            | 587,502 | \$6 09568        | \$3,581,223 |
| Rate/MCF                              |         | <b>\$6.31512</b> |             |

## FS STORAGE INJECTION

|                  |         |                  |             |
|------------------|---------|------------------|-------------|
| Total Purchases  | 450,270 | \$5 80744        | \$2,614,918 |
| Fuel             | (6,709) |                  |             |
| Injection Charge | 443,561 | \$0.00672        | \$2,981     |
| Rate/MMBTU       | 443,561 | \$5 90200        | \$2,617,899 |
| Rate/MCF         |         | <b>\$6.11448</b> |             |

## SOUTHERN NATURAL GAS COMPANY

|                                  | DT      | RATE             | TOTAL       |
|----------------------------------|---------|------------------|-------------|
| FIRM TRANSPORTATION (FT)         |         |                  |             |
| Reservation Charges - Supplier 1 | 312,117 | \$0 01500        | \$4,682     |
| Supplier 2                       | 0       | \$0 01000        | \$0         |
| Supplier 3                       | 0       | \$0 00000        | \$0         |
| Commodity - Supplier 1           | 318,277 | \$5 79800        | \$1,845,370 |
| Supplier 2                       | 0       | \$0 00000        | \$0         |
| Supplier 3                       | 0       | \$0.00000        | \$0         |
| Total                            | 318,277 | \$5 81271        | \$1,850,052 |
| Fuel                             | (8,275) |                  |             |
| Transport                        | 310,002 | \$0.04280        | \$13,268    |
| Rate/MMBTU                       | 310,002 | \$6 01067        | \$1,863,320 |
| Rate/MCF                         |         | <b>\$6.05873</b> |             |

## CSS STORAGE INJECTION

|                  |         |                  |             |
|------------------|---------|------------------|-------------|
| Total Purchases  | 318,277 | \$5 81271        | \$1,850,052 |
| Fuel @ .76%      | (2,419) |                  |             |
| Injection Charge | 315,858 | \$0 00630        | \$1,990     |
| Rate/MMBTU       | 315,858 | \$5.86353        | \$1,852,042 |
| Rate/MCF         |         | <b>\$5.91041</b> |             |

## DETAIL OF RATES USED TO COMPUTE INTERRUPTIBLE PURCHASED GAS ADJUSTMENT

EFFECTIVE:

December 1, 2000

## TENNESSEE NATURAL GAS COMPANY

|                                       | DT      | RATE      | TOTAL       |
|---------------------------------------|---------|-----------|-------------|
| INTERRUPTIBLE TRANSPORTATION (IT)     |         |           |             |
| Reservation Charges - Supplier 1      | 205,808 | \$0 00000 | \$0         |
| Supplier 2                            | 425,326 | \$0 01000 | \$4,253     |
| Supplier 3                            | 0       | \$0 00000 | \$0         |
| TGP Commodity - Supplier 1            | 0       | \$0 00000 | \$0         |
| Supplier 2                            | 433,721 | \$5 79800 | \$2,514,714 |
| SPOT Commodity - Supplier 1           | 16,549  | \$5 79800 | \$95,951    |
| Supplier 2                            | 0       | \$0 00000 | \$0         |
| Supplier 3                            | 0       | \$0 00000 | \$0         |
| Total                                 | 450,270 | \$5 80744 | \$2,614,918 |
| TGP Fuel                              | (7,655) |           |             |
| TGP IT Transport                      | 442,615 | \$0 26940 | \$119,241   |
| Total TGP                             | 442,615 | \$6 17728 | \$2,734,159 |
| ET - Supplier 1 - Reservation Charges | 4,978   | \$7 58000 | \$37,733    |
| ET - Supplier 1 - Commodity           | 154,318 | \$5 79800 | \$894,736   |
| Total                                 | 154,318 |           | \$932,469   |
| Total TGP and ET                      | 596,933 | \$6 14244 | \$3,666,628 |
| ETN Fuel                              | (9,432) |           |             |
| ETN INT Transport                     | 587,502 | \$0 24780 | \$145,583   |
| Rate/MMBTU                            | 587,502 | \$6 48885 | \$3,812,211 |
| Rate/MCF                              |         | \$6.72245 |             |

## SOUTHERN NATURAL GAS COMPANY

|                                   | DT      | RATE      | TOTAL       |
|-----------------------------------|---------|-----------|-------------|
| INTERRUPTIBLE TRANSPORTATION (IT) |         |           |             |
| Reservation Charges - Supplier 1  | 312,117 | \$0 01500 | \$4,682     |
| Supplier 2                        | 0       | \$0 01000 | \$0         |
| Supplier 3                        | 0       | \$0 00000 | \$0         |
| Commodity - Supplier 1            | 318,277 | \$5 79800 | \$1,845,370 |
| Supplier 2                        | 0       | \$0 00000 | \$0         |
| Supplier 3                        | 0       | \$0 00000 | \$0         |
| Total                             | 318,277 | \$5 81271 | \$1,850,052 |
| Fuel                              | (8,275) |           |             |
| SNG INT Transport                 | 310,002 | \$0 39780 | \$123,319   |
| Rate/MMBTU                        | 310,002 | \$6.36568 | \$1,973,371 |
| Rate/MCF                          |         | \$6.41657 |             |

|                              |         |          |             |
|------------------------------|---------|----------|-------------|
| TOTAL SYSTEM VOLUMES         | 897,504 |          |             |
| WEIGHTED SYSTEM INT RATE/DT  | 897,504 | \$6.4463 | \$5,785,582 |
| WEIGHTED SYSTEM INT RATE/MCF | 874,019 | \$6.6195 |             |

## Samson expands B.C. footprint

Samson Canada will acquire from Petro Canada oil and gas properties in Northeast British Columbia for \$C90 million. The sale is expected to close by the end of the year.

The properties are concentrated in the Buick Creek, Fireweed and Fort St. John areas and produce about 15 million cfd of gas.

"This acquisition is an excellent fit with the properties Samson recently obtained from its corporate acquisition of Calahoo Petroleum this past spring," said Rob Bilger, Samson chief financial officer. Samson's focus, he said, is on developing core areas in northeast B.C. and northwest Alberta.

CD

## FUTURES

### NYMEX @ Henry Hub

Results from Thursday

| Settlement | High  | Low   | Change | Volume |
|------------|-------|-------|--------|--------|
| Dec., 2000 | 5.798 | 6.120 | 5.785  | -46.7  |
| Jan., 2001 | 5.788 | 6.100 | 5.780  | -44.3  |
| February   | 5.511 | 5.720 | 5.511  | -30.0  |
| March      | 5.051 | 5.300 | 5.051  | -30.0  |
| April      | 4.610 | 4.480 | 4.625  | -28.3  |
| May        | 4.465 | 4.665 | 4.460  | -26.3  |
| June       | 4.445 | 4.630 | 4.450  | -26.1  |
| July       | 4.435 | 4.620 | 4.405  | -26.1  |
| August     | 4.430 | 4.630 | 4.390  | -28.0  |
| September  | 4.420 | 4.600 | 4.380  | -25.5  |
| October    | 4.405 | 4.590 | 4.360  | -25.5  |
| November   | 4.495 | 4.680 | 4.480  | -24.5  |
| December   | 4.590 | 4.780 | 4.590  | -22.8  |
| Jan., 2002 | 4.585 | 4.740 | 4.600  | -22.3  |
| February   | 4.405 | —     | —      | -20.7  |
| March      | 4.240 | 4.240 | 4.240  | -19.7  |
| April      | 4.015 | 4.000 | 4.000  | -19.0  |
| May        | 3.975 | —     | —      | -19.0  |
| June       | 3.965 | —     | —      | -18.0  |
| July       | 3.981 | —     | —      | -18.0  |
| August     | 3.986 | 4.066 | 3.945  | -18.0  |
| September  | 4.001 | —     | —      | -17.0  |
| October    | 4.006 | —     | —      | -16.5  |
| November   | 4.121 | 4.116 | 4.116  | -16.5  |
| December   | 4.222 | 4.217 | 4.217  | -16.5  |
| Jan., 2003 | 4.227 | 4.212 | 4.212  | -15.5  |
| February   | 4.053 | —     | —      | -15.5  |
| March      | 3.883 | 3.900 | 3.890  | -15.5  |
| April      | 3.721 | —     | —      | -14.5  |
| May        | 3.695 | 3.700 | 3.700  | -14.5  |
| June       | 3.715 | —     | —      | -14.0  |
| July       | 3.730 | —     | —      | -13.8  |
| August     | 3.730 | —     | —      | -13.8  |
| September  | 3.750 | —     | —      | -13.4  |
| October    | 3.760 | —     | —      | -12.9  |
| November   | 3.885 | —     | —      | -12.9  |

Volume of contracts (unofficial) 121,083  
 Front-months open interest Wednesday:  
 December, 48,399; January, 44,583; February, 31,244  
 Total open interest Wednesday: 400,733  
 Weighted average of x number of trades in the last two minutes of trading. Change is from previous settlement price.

## OPTIONS

### NYMEX@Henry Hub

Results from Thursday

| Strike Price | Dec.  | Jan.  | Feb.  | Dec.  | Jan.  | Feb.  |
|--------------|-------|-------|-------|-------|-------|-------|
| 5.80         | 58.0¢ | —     | 80.5¢ | 16.8¢ | 42.7¢ | 76.0¢ |
| 5.85         | —     | —     | 58.5¢ | 18.9¢ | 45.3¢ | —     |
| 5.70         | 40.0¢ | —     | 57.0¢ | 21.1¢ | 48.0¢ | —     |
| 5.75         | 41.0¢ | —     | 55.2¢ | 23.5¢ | 50.7¢ | —     |
| 5.80         | 25.8¢ | 52.5¢ | 53.8¢ | 26.1¢ | 63.5¢ | —     |
| 5.85         | 23.6¢ | 50.4¢ | 52.0¢ | —     | —     | —     |
| 5.90         | 21.5¢ | 48.4¢ | 50.4¢ | 28.0¢ | —     | —     |
| 5.95         | 19.5¢ | —     | —     | —     | —     | —     |
| 6.00         | 17.6¢ | 44.6¢ | 47.5¢ | 32.0¢ | 51.0¢ | —     |

Estimated Volume: Calls: n/a Puts: n/a  
 Total open interest Wednesday Calls: 366,435 Puts: 375,447  
 Not all strike and settlement prices listed.  
 Implied Volatility for at-the-money strike price  
 Calls: 64.91% Puts: 64.91% Source: Bloomberg

## TotalFinaElf to link with deepwater production

TotalFinaElf has launched work on a gas gathering system project in the deepwater Gulf of Mexico that will enable the development of three fields in the Mississippi Canyon offshore zone.

The fields, Aconcagua, King's Peak and Camden Hills, are located about 120 miles southeast of New Orleans in water depths ranging from 6,700 to 7,300 feet. The depths will set a new record for commercial production water depths, the company said.

In 2001, the company plans to install a dual 12-inch gathering line with a capacity of up to 500 million cfd. The gathering line will collect gas from the three fields and carry it to a new platform called Canyon Station, which will be installed 55 miles north of Camden Hills on Block MP 261. The station will be owned and operated by a unit of Williams.

Canyon Station will be connected to three pipelines to deliver gas onshore, giving Canyon Express producers access to a variety of markets.

The Canyon Express gathering system will be operated by TotalFinaElf affiliate Elf Exploration and owned by the owners of the three gas fields. Owners include Pioneer Natural Resources USA, BP, Elf Exploration, Marathon Oil, Mariner Energy and TotalFinaElf affiliate Total Exploration Production USA.

For the engineering, construction and installation of the system, Elf Exploration has created an integrated project team, including personnel from BP and Marathon Oil. The Canyon Express system is expected to start up in summer 2002.

CD

## FERC OKs Tuscarora lateral to Sierra Pacific

FERC this week granted Tuscarora Gas Transmission permission to build a 16.4-mile lateral pipeline and other facilities that would deliver 10,000 dth/d to Sierra Pacific Power. The lateral and related facilities will cost an estimated \$10.2 million.

In its application, Tuscarora indicated Sierra Pacific would pay the effective firm transportation rate throughout the 15-year term of the agreement.

Tuscarora also revealed that Sierra Pacific needed the added capacity to meet a projected increase in demand among its customers, particularly in the northern and western portions of its system. Sierra Pacific's customer base has grown at an average annual increase of 4.6% during the past three years, and without the creation of a new citygate in Lemmon Valley, Tuscarora said Sierra Pacific would be hindered in its efforts to meet increased demand. Sierra Pacific serves about 110,000 gas utility customers.

The 16-inch pipeline, dubbed the Hungry Valley Lateral, will run from Tuscarora's mainline milepost 205.5 to a newly constructed citygate in Lemmon Valley, Nev. Tuscarora's primary receipt point for the firm transportation service is an interconnection with PG&E Gas Transmission - Northwest, near Malin, Ore. The two operators recently inked an agreement, increasing by 125 psig the minimum average delivery pressure to Tuscarora.

A 10-year cost-of-service study provided to FERC by Tuscarora shows incremental revenues from the project would exceed expenses by more than \$4.8 million. That finding, along with firm service agreements that demonstrate full subscription of firm transportation capacity, meet FERC's threshold for allowing rolled-in rate treatment for the project.

The pipeline operator applied in May to build the lateral, requesting a FERC decision by Sept. 1 with hopes of having the line in place by November, thereby minimizing service interruptions during the colder months of December through February.

Review by the Bureau of Land Management (BLM), however, slowed the timing of the FERC order, said Greg Galbraith, director of marketing and transportation at Tuscarora. "I'm disappointed [the order] came so slowly, but I wouldn't put that on FERC," Galbraith said. "The BLM took longer than we anticipated. FERC has been very supportive."

FERC concluded that Tuscarora's only competitor, Paiute Pipeline, would not be adversely affected. "Paiute's facilities are not proximate to the area of [Sierra Pacific's] needs and, in any event, are fully subscribed and therefore cannot economically address [Sierra Pacific's] capacity or supply problems," the order said.

The Nov. 13 order does include environmental mitigation conditions that could further delay construction. Tuscarora now expects the BLM to authorize further treatment to seven sites before the project can proceed. "We hope to start construction the last week of November," Galbraith said.

Construction is expected to take six to eight weeks.

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CHATTANOOGA GAS COMPANY  
ANALYSIS OF AVERAGE STORAGE COST  
TWELVE MONTHS ENDE September 30, 2000

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| TGP FS-PA/MA #3947, #3999 |            |                  |             |
|---------------------------|------------|------------------|-------------|
|                           | MMBtu Inj. | Rate             | Cost        |
| Jan 00                    | 46,884     | \$2 44753        | \$114,750   |
| Feb 00                    | 20,231     | \$2 69060        | \$54,433    |
| Mar 00                    | 132,454    | \$2 74756        | \$363,925   |
| Apr 00                    | 97,551     | \$3 00827        | \$293,460   |
| May 00                    | 74,492     | \$3 22602        | \$240,313   |
| June 00                   | 78,703     | \$4 51393        | \$355,260   |
| Jul 00                    | 349,959    | \$4 37192        | \$1,529,992 |
| Aug 00                    | 270,965    | \$3 54731        | \$961,196   |
| Sep 00                    | 252,779    | \$5 21418        | \$1,318,034 |
| Oct 99                    | 69,427     | \$2 62111        | \$181,976   |
| Nov 99                    | 33,693     | \$3 15190        | \$106,197   |
| Dec 99                    | 20,132     | \$2 20768        | \$44,445    |
|                           | 1,447,270  | \$3 84447        | \$5,563,981 |
| Withdrawal Charge         |            | \$0 00672        |             |
| Rate per MMBtu            |            | \$3 85119        |             |
| Rate per MCF              |            | <b>\$3.98983</b> |             |

| ETNG GSS/CNG      |           |                  |           |
|-------------------|-----------|------------------|-----------|
|                   | MMBtu Inj | Rate             | Cost      |
| Jan 00            | 0         |                  | \$0       |
| Feb 00            | 0         |                  | \$0       |
| Mar 00            | 0         |                  | \$0       |
| Apr 00            | 0         |                  | \$0       |
| May 00            | 0         |                  | \$0       |
| June 00           | 0         |                  | \$0       |
| Jul 00            | 20,747    | \$4 44749        | \$92,272  |
| Aug 00            | 27,218    | \$3 39000        | \$92,269  |
| Sep 00            | 0         |                  | \$0       |
| Oct 99            | 14,871    | \$2 75200        | \$40,925  |
| Nov 99            | 0         |                  | \$0       |
| Dec 99            | 0         |                  | \$0       |
|                   | 62,836    | \$3 58817        | \$225,466 |
| Withdrawal Charge |           | \$0 01470        |           |
| Rate per MMBtu    |           | \$3 60287        |           |
| Rate per MCF      |           | <b>\$3.73257</b> |           |

| SNG CSS   |                  |             |
|-----------|------------------|-------------|
| MMBtu Inj | Rate             | Cost        |
| 10,326    | \$2 42872        | \$25,079    |
| 24,909    | \$2 70288        | \$67,326    |
| 39,658    | \$2 69693        | \$106,955   |
| 131,030   | \$2 99863        | \$392,911   |
| 34,522    | \$3.18139        | \$109,828   |
| 73,654    | \$4 46621        | \$328,955   |
| 29,743    | \$4 26484        | \$126,849   |
| 28,830    | \$4 04357        | \$116,576   |
| 6,527     | \$4 75716        | \$31,050    |
| 16,244    | \$1 71380        | \$27,839    |
| 33,470    | \$2 99352        | \$100,193   |
| 17,228    | \$2 23444        | \$38,495    |
| 446,141   | \$3 29953        | \$1,472,056 |
|           | \$0 00630        |             |
|           | \$3 30583        |             |
|           | <b>\$3.33226</b> |             |

DETAIL OF RATES AND SURCHARGES USED TO COMPUTE PURCHASED GAS ADJUSTMENT  
EFFECTIVE.

December 1, 2000

| TENNESSEE         |            | Tariff<br>Rate | Effective<br>Rate |
|-------------------|------------|----------------|-------------------|
| FT-A Demand       | Zone 1 - 1 | 5 61           | \$5.61000         |
| Total FT-A Demand |            |                | <b>\$5.61000</b>  |

|                      |              |        |                  |
|----------------------|--------------|--------|------------------|
| FT-A Commodity       | Zone 0 - 28% | 0 0669 | \$0 01873        |
|                      | Zone 1 - 72% | 0 0572 | <u>\$0.04118</u> |
| Total FT-A Commodity |              |        | 0 05991          |
| ACA                  |              |        | 0.00220          |
| GRI                  |              |        | N/A              |
| TCSM                 |              |        | 0.00000          |
| TCRA                 |              |        | N/A              |
| Total FT-A Commodity |              |        | <b>\$0.06211</b> |

|                    |            |        |                  |
|--------------------|------------|--------|------------------|
| IT Commodity       | Zone 1 - 1 | 0 2672 | \$0 26720        |
| ACA                |            |        | 0 00220          |
| GRI                |            |        | N/A              |
| TCSM               |            |        | 0 00000          |
| TCRA               |            |        | N/A              |
| Total IT Commodity |            |        | <b>\$0.26940</b> |

## EAST TENNESSEE

|                                     |      |                  |
|-------------------------------------|------|------------------|
| FT-A Demand                         | 7 21 | \$7 21000        |
| TCRA (Article 25)                   |      | -0 05000         |
| GRI (Article 33) (High Load Factor) |      | 0.23000          |
| Total FT-A Demand                   |      | <b>\$7.39000</b> |

|                      |        |                  |
|----------------------|--------|------------------|
| FT-A Commodity       | 0 0011 | \$0 00110        |
| TCRA (Article 25)    |        | 0 00000          |
| GRI (Article 33)     |        | 0 00750          |
| ACA (Article 34)     |        | 0 00220          |
| Total FT-A Commodity |        | <b>\$0.01080</b> |

|                    |        |                  |
|--------------------|--------|------------------|
| IT Commodity       | 0 2381 | \$0 23810        |
| GRI (Article 33)   |        | 0.00750          |
| ACA (Article 34)   |        | 0 00220          |
| Total IT Commodity |        | <b>\$0.24780</b> |

## SOUTHERN

|                 | Tariff<br>Rate | Effective<br>Rate |
|-----------------|----------------|-------------------|
| FT Demand       | Zone 3         | 10 79             |
| GRI             |                | \$10.79000        |
| Southern Energy |                | 0 12300           |
| Total FT Demand |                | <b>\$11.28470</b> |

|                             |          |        |                  |
|-----------------------------|----------|--------|------------------|
| FT Commodity                | Prod - 3 | 0 0290 | \$0 02900        |
| GSR                         |          |        | \$0.0004         |
| Storage Receiving Surcharge |          |        | \$0 0040         |
| ACA                         |          |        | 0 00220          |
| GRI                         |          |        | 0 00720          |
| Total FT Commodity          |          |        | <b>\$0.04280</b> |

|                             |          |        |                  |
|-----------------------------|----------|--------|------------------|
| IT Commodity                | Prod - 3 | 0 3840 | \$0.38400        |
| GSR                         |          |        | \$0 0004         |
| Storage Receiving Surcharge |          |        | \$0 0040         |
| ACA                         |          |        | 0 00220          |
| GRI                         |          |        | 0 00720          |
| Total IT Commodity          |          |        | <b>\$0.39780</b> |

## Southern CSS Storage Service

|                   |         |
|-------------------|---------|
| Injection Charge  | 0 00630 |
| Withdrawal Charge | 0.00630 |

## Tennessee FS Storage Service

|                 |     |        |
|-----------------|-----|--------|
| FS-PA           | 67% | 71%    |
| Injection Rate  |     | 0 0053 |
| Withdrawal Rate |     | 0 0053 |

|                 |     |        |
|-----------------|-----|--------|
| FS-MA           | 28% | 29%    |
| Injection Rate  |     | 0 0102 |
| Withdrawal Rate |     | 0 0102 |

|                             |      |         |
|-----------------------------|------|---------|
| FS-PA/MA Injection Average  | 100% | 0 00672 |
| FS-PA/MA Withdrawal Average |      | 0 00672 |

## CNG GSS Storage Service

|                 |    |        |
|-----------------|----|--------|
| Injection Rate  | 5% | 0 0162 |
| Withdrawal Rate |    | 0 0147 |

## Tennessee Storage Injection Ave

|      |         |
|------|---------|
| 100% | 0 00722 |
|------|---------|

CHATTANOOGA GAS COMPANY  
COMPUTATION OF PURCHASED GAS ADJUSTMENT AND ALLOCATION TO RATE CLASSES  
BASED ON VOLUMES FOR TWELVE MONTHS ENDE September 30, 2000

Page 6

RATES TO BE EFFECTIVE December 1, 2000

| Rate Schedule         | Monthly<br>Contract<br>Demand | Annual<br>Commodity<br>MCF Sales | CURRENT GAS COST |              |              | CURRENT LEVEL OF GAS COST/MC<br>(D) |               |                  |        |
|-----------------------|-------------------------------|----------------------------------|------------------|--------------|--------------|-------------------------------------|---------------|------------------|--------|
|                       |                               |                                  | Demand           | Commodity    | Total        | *Demand<br>Per Unit                 | (D)<br>Demand | (P)<br>Commodity | Total  |
| I-1                   | 7,700                         | 1,208,420                        | 669,348          | 7,209,698    | 7,879,046    | 7 2445                              |               | 5 9662           | 5 9662 |
| L-1                   |                               | 2,784,926                        |                  | 18,434,855   | 18,434,855   |                                     |               | 6 6195           | 6 6195 |
| T-2**                 | 0                             |                                  | 0                |              | 0            | 7 2445                              |               |                  |        |
| ALL OTHER             | 134,334                       | 7,006,518                        | 11,678,148       | 41,802,420   | 53,480,568   |                                     | 1 6668        | 5 9662           | 7 6330 |
| V-1                   |                               |                                  |                  |              |              |                                     | 0 2382        | 5 9662           | 6 2044 |
| Total Cost Adjustment | 142,033                       | 10,999,864                       | \$12,347,496     | \$67,446,974 | \$79,794,470 |                                     |               |                  |        |

100% LOAD FACTOR  
DEMAND COST/MCF

\* Total Demand Cost = Total Firm Cost / 142033 X 365 Da \$0 2382

\* Unit Cost base 92,394 annual contract demand units

\*\* All Demand Units for I-1/T-2 Customers are billed under the I-1 rate

CURRENT LEVEL OF PURCHASED GAS ADJUSTMENT (IN DOLLARS PER MCF)

RATE TARIFF

| Effective Date | <u>I-1 Demand</u> | <u>I-1 Commodity</u> | <u>* L-1 Commodity</u> | <u>T-2 Demand</u> | <u>V-1 Commodity</u> | <u>II Other Commodity</u> |
|----------------|-------------------|----------------------|------------------------|-------------------|----------------------|---------------------------|
| BASE RATES     | \$15 0861         | \$2 2751             | \$2 2751               | \$15 0861         | \$2 7710             | \$3 5120                  |
| 11-01-99       | \$0 1000          | \$0 3000             | \$0 3000               | \$0 1000          | \$0 1000             | \$0 3000                  |
| 12-01-99       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 1-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 2-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 3-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 4-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 5-01-99        | (\$0 1514)        | (\$0 6033)           | (\$0 6033)             | (\$0 1514)        | (\$0 4050)           | (\$0 3800)                |
| 6-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 7-01-99        | \$0 0016          | \$0 2599             | \$0 2599               | \$0 0016          | \$0 2600             | \$0 2440                  |
| 8-01-99        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 9-01-99        | \$0 0000          | \$0 5374             | \$0 5374               | \$0 0000          | \$0 5370             | \$0 6570                  |
| 10-01-99       | \$0 0000          | \$0 2563             | \$0 8115               | \$0 0000          | \$0 2540             | \$0 2543                  |
| 11-01-99       | (\$7 7316)        | (\$0 1037)           | (\$0 0633)             | (\$7 7316)        | (\$0 3551)           | \$0 0287                  |
| 12-01-99       | \$0 0000          | \$0 2281             | \$0 3886               | \$0 0000          | \$0 2281             | \$0 2279                  |
| 1-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 2-01-00        | \$0 0000          | (\$0 5599)           | (\$0 9017)             | \$0 0000          | (\$0 5599)           | (\$0 5599)                |
| 3-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 4-01-00        | \$0 0000          | \$0 3488             | \$0 2618               | \$0 0000          | \$0 3488             | \$0 3957                  |
| 5-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 6-01-00        | (\$0 0602)        | \$0 1691             | \$0 4842               | (\$0 0602)        | \$0 1671             | \$0 0908                  |
| 7-01-00        | \$0 0000          | \$0 9174             | \$1 4861               | \$0 0000          | \$0 9174             | \$0 9419                  |
| 8-01-00        | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 9-01-00        | \$0 0000          | (\$0 3497)           | (\$0 6810)             | \$0 0000          | (\$0 3497)           | (\$0 3783)                |
| 10-01-00       | \$0 0000          | \$0 0000             | \$0 0000               | \$0 0000          | \$0 0000             | \$0 0000                  |
| 11-01-00       | \$0 0000          | \$1 3896             | \$1 6936               | \$0 0000          | \$1 3896             | \$1 3896                  |
| 12-01-00       | \$0 0000          | \$0 9011             | \$0 3706               | \$0 0000          | \$0 9011             | \$0 9093                  |
| Current Cost   | \$7 2445          | \$5 9662             | \$6 6195               | \$7 2445          | \$6 2044             | \$7 6330                  |

\*NOTE

The L-1 commodity rate shall also be applicable to the air conditioning rate for rate schedules R-1, R-4 AND C-1



CURRENT LEVEL OF SURCHARGES AND REFUND CREDITS

AMOUNTS INDICATED BELOW APPLY TO THE BILLING DETERMINANTS  
OF EACH INDIVIDUAL TARIFF

| RATES<br>Billing Unit     | I-1<br>Demand<br>MCF | I-1<br>Commodity<br>MCF | L-1<br>Commodity<br>MCF | T-1<br>Commodity<br>MCF | T-2<br>Demand<br>MCF | T-2<br>Commodity<br>MCF | All Other<br>CCF | A/C<br>CCF | V-1<br>CCF |
|---------------------------|----------------------|-------------------------|-------------------------|-------------------------|----------------------|-------------------------|------------------|------------|------------|
| Supplier Refund 99-00*    | \$0 0000             | (\$0 0292)              | (\$0 0292)              | \$0 0000                | \$0 0000             | \$0 0000                | (\$0 0029)       | (\$0 0029) | \$0.0000   |
| ACA Refund 99-00**        | (\$0 5856)           | \$0 2352                | \$0 2352                | \$0 0000                | (\$0 5856)           | \$0 0000                | \$0 0174         | \$0 0174   | \$0 0000   |
| IMCR Refund 99-00****     | (\$1 1245)           | \$0 0000                | \$0 0000                | \$0 0000                | (\$1 1245)           | \$0 0000                | (\$0 0118)       | (\$0 0118) | \$0.0000   |
| GSR/Transition Costs **** | \$0 0000             | \$0 0048                | \$0 0048                | \$0 0000                | \$0 0000             | \$0 0000                | \$0 0005         | \$0 0005   | \$0 0005   |
| ACA Refund 98-99***       | \$0 7964             | (\$0 0348)              | (\$0 0348)              | \$0 0000                | \$0 7964             | \$0 0000                | \$0 0150         | \$0 0150   | \$0 0000   |
| TOTAL                     | (\$0 9137)           | \$0 1760                | \$0 1760                | \$0 0000                | (\$0 9137)           | \$0 0000                | \$0 0181         | \$0 0181   | \$0 0005   |

\*\*\*\*IMCR refund made effective December 1, 2000 for a period of 12 months or shorter as may be required to appropriately refund off system sales revenues to customers Outstanding balance will be applied to next IMCR refund

\*\*\*\*\*GSR surcharge made effective for Nov 1, 2000 and to remain into effect for a period of 12 months or shorter period as may be required to appropriately collect the amount from Company's customers The Company anticipates that this will be the last GSR filing since all remaining pipeline transition costs have phased out this year

\*Supplier refund made effective December 1, 2000 for a period of 12 months or shorter as may be required to appropriately refunds amount due to customer Outstanding balance will be applied to next supplier refund

\*\*ACA 99-00 surcharge made effective December 1, 2000, for a period of 12 months or shorter as may be required to collect PGA under-recovery Outstanding balance will be applied to next ACA filing

\*\*\* ACA 98-99 refund made effective December 1, 1999 for a period of 12 months or for a longer or shorter period of time as may be required to appropriately collect the amount from Company's customers's See attached breakdown of collection items

EFFECTIVE.

December 1, 2000

## MCF SALES BY RATE CLASS AND OFF-SYSTEM REVENUE CREDIT ESTIMATE

TWELVE MONTHS ENDED

September 30, 2000

| Month   | I-1       | L-1       | All Other | TOTAL      | T-1 & T-2 | TOTAL      |
|---------|-----------|-----------|-----------|------------|-----------|------------|
| Jan 00  | 69,554    | 178,513   | 1,223,383 | 1,471,450  | 579,794   | 2,051,244  |
| Feb 00  | 116,038   | 159,104   | 1,428,031 | 1,703,173  | 628,202   | 2,331,375  |
| Mar 00  | 125,792   | 193,766   | 865,901   | 1,185,459  | 645,546   | 1,831,005  |
| Apr 00  | 136,151   | 285,786   | 603,573   | 1,025,510  | 484,905   | 1,510,415  |
| May 00  | 110,066   | 659,259   | 405,086   | 1,174,411  | 96,290    | 1,270,701  |
| June 00 | 115,651   | 605,173   | 269,839   | 990,663    | 89,448    | 1,080,111  |
| Jul 00  | 97,023    | 11,729    | 185,220   | 293,972    | 611,891   | 905,863    |
| Aug 00  | 105,067   | 24,527    | 187,422   | 317,016    | 724,223   | 1,041,239  |
| Sep 00  | 103,675   | 506,873   | 231,694   | 842,242    | 109,119   | 951,361    |
| Oct 99  | 76,776    | 45,400    | 270,253   | 392,429    | 739,012   | 1,131,441  |
| Nov 99  | 90,363    | 74,020    | 495,319   | 659,702    | 593,997   | 1,253,699  |
| Dec 99  | 62,264    | 40,776    | 840,797   | 943,837    | 707,554   | 1,651,391  |
| TOTAL   | 1,208,420 | 2,784,926 | 7,006,518 | 10,999,864 | 6,009,981 | 17,009,845 |

| Month   | R - 1     | R - 4  | C - 1     | Off-System     | T-1*      | T-2     |
|---------|-----------|--------|-----------|----------------|-----------|---------|
|         |           |        |           | Revenue Credit |           |         |
| Jan 00  | 654,569   | 7,525  | 561,289   | \$0 00         | 515,617   | 64,177  |
| Feb 00  | 766,607   | 3,730  | 657,694   | \$0 00         | 613,629   | 14,573  |
| Mar 00  | 415,024   | 2,291  | 448,586   | \$0 00         | 624,104   | 21,442  |
| Apr 00  | 297,814   | 4,910  | 300,849   | \$0 00         | 471,639   | 13,266  |
| May 00  | 176,800   | 1,025  | 227,261   | \$0 00         | 92,770    | 3,520   |
| June 00 | 89,967    | 927    | 178,945   | \$0 00         | 81,431    | 8,017   |
| Jul 00  | 68,860    | 881    | 115,479   | \$0 00         | 597,599   | 14,292  |
| Aug 00  | 58,023    | 908    | 128,491   | \$0 00         | 711,345   | 12,878  |
| Sep 00  | 77,294    | 782    | 153,618   | \$0 00         | 107,041   | 2,078   |
| Oct 99  | 105,350   | 1,430  | 163,473   | \$0 00         | 663,739   | 75,273  |
| Nov 99  | 256,421   | 1,623  | 237,275   | \$616,464 84   | 551,597   | 42,400  |
| Dec 99  | 452,062   | 1,623  | 387,112   | \$499,884.00   | 625,148   | 82,406  |
| TOTAL   | 3,418,791 | 27,655 | 3,560,072 | \$1,116,348 84 | 5,655,659 | 354,322 |

MCF VOLUMES PURCHASED (BY PIPELINE) AND COMPUTATION OF AVERAGE BTU ADJUSTMENT  
FOR GAS TRANSPORTED ON EAST TENNESSEE AND SOUTHERN  
TWELVE MONTHS ENDED September 30, 2000

## EAST TENNESSEE

| Month   | FT<br>Purchases | IT<br>Purchases | FS<br>Inj   | FS<br>W/D | CNG<br>Inj | CNG<br>W/D | TOTAL     | BTU<br>ADJ | MMBTU<br>VOLUMES |
|---------|-----------------|-----------------|-------------|-----------|------------|------------|-----------|------------|------------------|
| Jan 00  | 700,107         | 0               | (45,255)    | 346,091   | 0          | 28,809     | 1,029,752 | 1.036      | 1,066,823        |
| Feb 00  | 699,159         | 0               | (19,528)    | 195,438   | 0          | 7,030      | 882,099   | 1.036      | 913,854          |
| Mar 00  | 613,607         | 0               | (127,851)   | 3,865     | 0          | 61,592     | 551,213   | 1.036      | 571,056          |
| Apr 00  | 627,636         | 0               | (94,161)    | 30,689    | 0          | 0          | 564,164   | 1.036      | 584,474          |
| May 00  | 674,104         | 0               | (187,731)   | 62,039    | 0          | 0          | 548,412   | 1.036      | 568,155          |
| June 00 | 645,981         | 0               | (316,517)   | 20,427    | 0          | 0          | 349,891   | 1.036      | 362,487          |
| Jul 00  | 146,592         | 0               | (337,758)   | 0         | (20,026)   | 0          | (211,192) | 1.036      | (218,794)        |
| Aug 00  | 134,991         | 0               | (261,549)   | 21,656    | (26,272)   | 0          | (131,174) | 1.036      | (135,896)        |
| Sep 00  | 466,921         | 0               | (252,779)   | 37,354    | (13,956)   | 0          | 237,540   | 1.036      | 246,091          |
| Oct 99  | 349,208         | 0               | (67,014)    | 97,738    | (14,354)   | 0          | 365,578   | 1.036      | 378,738          |
| Nov 99  | 354,990         | 0               | (32,522)    | 167,971   | 0          | 0          | 490,439   | 1.036      | 508,095          |
| Dec 99  | 513,727         | 0               | (19,432)    | 388,776   | 0          | 36,491     | 919,562   | 1.036      | 952,666          |
| TOTAL   | 5,927,023       | 0               | (1,762,097) | 1,372,044 | (74,608)   | 133,922    | 5,596,284 | 1.036      | 5,797,749        |

## SOUTHERN

| Month   | FT<br>Purchases | 1/<br>IT<br>Purchases | CSS<br>Inj | CSS<br>W/D | TOTAL     | BTU<br>ADJ | MMBTU<br>VOLUMES |
|---------|-----------------|-----------------------|------------|------------|-----------|------------|------------------|
| Jan 00  | 617,836         | 5,498                 | (10,244)   | 124,261    | 737,351   | 1.008      | 743,249          |
| Feb 00  | 482,192         | 10,252                | (24,711)   | 117,835    | 585,568   | 1.008      | 590,252          |
| Mar 00  | 498,560         | 9,988                 | (39,343)   | 58,511     | 527,716   | 1.008      | 531,937          |
| Apr 00  | 281,098         | 36,481                | (127,374)  | 59,997     | 250,202   | 1.008      | 252,203          |
| May 00  | 330,388         | 21                    | 34,248     | 73,260     | 437,917   | 1.008      | 441,399          |
| June 00 | 365,679         | 421                   | (73,069)   | 3,798      | 296,829   | 1.008      | 299,204          |
| Jul 00  | 363,467         | 32,399                | (29,507)   | 27,148     | 393,507   | 1.008      | 396,655          |
| Aug 00  | 303,747         | 157                   | (28,830)   | 25,393     | 300,467   | 1.008      | 302,870          |
| Sep 00  | 945,774         | 108                   | (6,527)    | 133,277    | 1,072,632 | 1.008      | 1,081,213        |
| Oct 99  | 201,590         | 4,587                 | (16,115)   | 20,961     | 211,023   | 1.008      | 212,711          |
| Nov 99  | 366,942         | 13,819                | (33,204)   | 92,780     | 440,337   | 1.008      | 443,859          |
| Dec 99  | 578,583         | 5,772                 | (17,091)   | 86,589     | 653,853   | 1.008      | 659,084          |
| TOTAL   | 5,335,856       | 119,503               | (371,767)  | 823,810    | 5,907,402 | 1.008      | 5,954,636        |

TOTAL MCF PURCHASES

11,503,686

1/ Includes enduser cashout purchases

|                              |                               | BASE RATE  | PGA      | REFUNDS &<br>URCHARGE | BILLING<br>RATE |
|------------------------------|-------------------------------|------------|----------|-----------------------|-----------------|
| R-1                          | WINTER (NOV - APR)            |            |          |                       |                 |
| Residential                  | Base Use Charge/Bill          | \$7 5000   |          |                       | \$7 5000        |
| General Service              | First 25 CCF                  | \$0 2900   | \$0 7633 | \$0 0181              | \$1 0714        |
|                              | Next 25 CCF                   | \$0 2000   | \$0 7633 | \$0 0181              | \$0 9814        |
|                              | Over 50 CCF                   | \$0 1750   | \$0 7633 | \$0 0181              | \$0 9564        |
|                              | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Base Use Charge/Bill          | \$7 5000   |          |                       | \$7 5000        |
|                              | First 25 CCF                  | \$0 2100   | \$0 7633 | \$0 0181              | \$0 9914        |
|                              | Next 25 CCF                   | \$0 1500   | \$0 7633 | \$0 0181              | \$0 9314        |
|                              | Over 50 CCF                   | \$0 0450   | \$0 7633 | \$0 0181              | \$0 8264        |
| Air Conditioning             | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Over 50 CCF                   | \$0 0450   | \$0 5966 | \$0 0181              | \$0 6597        |
| Standby Service              |                               |            |          |                       |                 |
| Demand Charge                | Rate Per CCF of Input per Mon | \$0 3000   | \$0 7245 | (\$0 0914)            | \$0 9331        |
| R-4                          | WINTER (NOV - APR)            |            |          |                       |                 |
| Multi-Family                 | Base Use Charge/Unit          | \$6 0000   |          |                       | \$6 0000        |
| Housing Service              | Commodity Charge/CCF          | \$0 1800   | \$0 7633 | \$0 0181              | \$0 9614        |
|                              | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Base Use Charge/Bill          | \$6 0000   |          |                       | \$6 0000        |
|                              | Commodity Charge/CCF          | \$0 1600   | \$0 7633 | \$0 0181              | \$0 9414        |
| Air Conditioning             | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Flat Rate / CCF               | \$0 0450   | \$0 5966 | \$0 0181              | \$0 6597        |
| C-1                          | WINTER (NOV - APR)            |            |          |                       |                 |
| Commercial & Industrial      | Base Use Charge/Bill          | \$20 0000  |          |                       | \$20 0000       |
| General Service              | First 3,000 CCF               | \$0 2750   | \$0 7633 | \$0 0181              | \$1 0564        |
|                              | Next 2,000 CCF                | 0 2510     | \$0 7633 | \$0 0181              | \$1 0324        |
|                              | Next 10,000 CCF               | 0 2445     | \$0 7633 | \$0 0181              | \$1 0259        |
|                              | Over 15,000 CCF               | 0 1265     | \$0 7633 | \$0 0181              | \$0 9079        |
|                              | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Base Use Charge/Bill          | \$15 0000  |          |                       | \$15 0000       |
|                              | First 3,000 CCF               | \$0 2159   | \$0 7633 | \$0 0181              | \$0 9973        |
|                              | Next 2,000 CCF                | 0 1714     | \$0 7633 | \$0 0181              | \$0 9528        |
|                              | Next 10,000 CCF               | 0 1598     | \$0 7633 | \$0 0181              | \$0 9412        |
|                              | Over 15,000 CCF               | 0 1265     | \$0 7633 | \$0 0181              | \$0 9079        |
| Air Conditioning             | SUMMER (MAY - OCT)            |            |          |                       |                 |
|                              | Flat Rate / CCF               | \$0 0450   | \$0 5966 | \$0 0181              | \$0 6597        |
| Standby Service              |                               |            |          |                       |                 |
| Demand Charge                | Rate Per CCF of Input per Mon | \$0 3000   | \$0 7245 | (\$0 0914)            | \$0 9331        |
| I-1                          | Base Use Charge               | \$300 0000 |          |                       | \$300 0000      |
| Large Volume                 | Demand Charge / Demand Unit   | \$3 0000   | \$7 2445 | (\$0 9137)            | \$9 3308        |
| Firm Service                 | Commodity Charge / MCF        |            |          |                       |                 |
|                              | First 1,500 MCF               | \$0 8888   | \$5 9662 | \$0 1760              | \$7 0310        |
|                              | Next 2,500 MCF                | \$0 7598   | \$5 9662 | \$0 1760              | \$6 9020        |
|                              | Next 11,000 MCF               | \$0 4312   | \$5 9662 | \$0 1760              | \$6 5734        |
|                              | Over 15,000 MCF               | \$0 2650   | \$5 9662 | \$0 1760              | \$6 4072        |
| L-1                          | Base Use Charge               | \$300 0000 |          |                       | \$300 0000      |
| Interruptible Service        | Commodity Charge/MCF          |            |          |                       |                 |
|                              | First 1,500 MCF               | \$0 8888   | \$6 6195 | \$0 1760              | \$7 6843        |
|                              | Next 2,500 MCF                | \$0 7598   | \$6 6195 | \$0 1760              | \$7 5553        |
|                              | Next 11,000 MCF               | \$0 4312   | \$6 6195 | \$0 1760              | \$7 2267        |
|                              | Over 15,000 MCF               | \$0 2650   | \$6 6195 | \$0 1760              | \$7 0605        |
| T-1                          | Customer Charge               | \$300 0000 |          |                       | \$300 0000      |
| Interruptible Transportation | Transportation Charge/MCF     |            |          |                       |                 |
| Service                      | First 1,500 MCF               | \$0 8888   |          | \$0 0000              | \$0 8888        |
|                              | Next 2,500 MCF                | \$0 7598   |          | \$0 0000              | \$0 7598        |
|                              | Next 11,000 MCF               | \$0 4312   |          | \$0 0000              | \$0 4312        |
|                              | Over 15,000 MCF               | \$0 2650   |          | \$0 0000              | \$0 2650        |
| T-2                          | Customer Charge               | \$300 0000 |          |                       | \$300 0000      |
| Interruptible Transportation | Demand Charge/Demand Unit     | \$3 0000   | \$7 2445 | (\$0 9137)            | \$9 3308        |
| Service with Firm Backup     | Transportation Charge/MCF     |            |          |                       |                 |
|                              | First 1,500 MCF               | \$0 8888   |          | \$0 0000              | \$0 8888        |
|                              | Next 2,500 MCF                | \$0 7598   |          | \$0 0000              | \$0 7598        |
|                              | Next 11,000 MCF               | \$0 4312   |          | \$0 0000              | \$0 4312        |
|                              | Over 15,000 MCF               | \$0 2650   |          | \$0 0000              | \$0 2650        |
| V-1                          |                               |            |          |                       |                 |
| Natural Gas Vehicle          | Base Use Charge / Bill        | \$17 5000  |          |                       | \$17 5000       |
| Service                      | Flat Rate / CCF               | \$0 0450   | \$0 6204 | \$0 0005              | \$0 6659        |

**CHATTANOOGA GAS COMPANY**  
**REFUND EFFECTIVE. December 1, 2000**

12

*ALLOCATION OF ACA REFUND TO RATE CLASSIFICATIONS  
 BASED ON VOLUMES FOR TWELVE MONTHS ENDED SEPT 30, 2000*

| RATE SCHEDULE | Contract Demand | Annual            |                  | Commodity          | TOTAL              | Demand     |            | Commodity | TOTAL    |
|---------------|-----------------|-------------------|------------------|--------------------|--------------------|------------|------------|-----------|----------|
|               |                 | MCF Sales         | Demand           |                    |                    | Per Unit   | Demand     |           |          |
| I-1           | 7,699           | 1,208,420         | (54,098)         | \$284,244          | \$230,146          | (\$0 5856) |            | \$0 2352  | \$0 2352 |
| L-1           |                 | 2,784,926         | 0                | \$655,070          | \$655,070          |            |            | \$0 2352  | \$0 2352 |
| T-2           |                 |                   | 0                | \$0                | \$0                | (\$0 5856) |            |           |          |
| ALL OTHER     | 61,301          | 7,006,518         | (430,737)        | \$1,648,073        | \$1,217,336        |            | (\$0 0615) | \$0 2352  | \$0 1737 |
| V-1           |                 |                   | 0                | \$0                | \$0                |            | \$0 0000   | \$0 0000  | \$0 0000 |
| <b>TOTAL</b>  | <b>69,000</b>   | <b>10,999,864</b> | <b>(484,835)</b> | <b>\$2,587,387</b> | <b>\$2,102,552</b> |            |            |           |          |

| DESCRIPTION OF REFUND ITEM | Demand             | Commodity          | TOTAL              |
|----------------------------|--------------------|--------------------|--------------------|
| ACA 99-00                  | (\$484,835)        | \$2,587,387        | \$2,102,552        |
| <b>TOTAL</b>               | <b>(\$484,835)</b> | <b>\$2,587,387</b> | <b>\$2,102,552</b> |

*SCHEDULE OF PURCHASED GAS REFUND BALANCES*

|                    | I-1 & T-2  | I-1       | L-1       | T-1 & T-2 | ALL OTHER  |           |
|--------------------|------------|-----------|-----------|-----------|------------|-----------|
|                    | Demand     | Commodity | Commodity | Commodity | Demand     | Commodity |
| Adjustment per MCF | (\$0 5856) | \$0 2352  | \$0 2352  | \$0 0000  | (\$0 0615) | \$0 2352  |
| <b>MCF SALES</b>   |            |           |           |           |            |           |
| JULY 1999          | 0          | 0         | 0         | 0         | 0          | 0         |
| AUGUST             | 0          | 0         | 0         | 0         | 0          | 0         |
| SEPTEMBER          | 0          | 0         | 0         | 0         | 0          | 0         |
| OCTOBER            | 0          | 0         | 0         | 0         | 0          | 0         |
| NOVEMBER           | 0          | 0         | 0         | 0         | 0          | 0         |
| DECEMBER           | 0          | 0         | 0         | 0         | 0          | 0         |
| JANUARY 2000       | 0          | 0         | 0         | 0         | 0          | 0         |
| FEBRUARY           | 0          | 0         | 0         | 0         | 0          | 0         |
| MARCH              | 0          | 0         | 0         | 0         | 0          | 0         |
| APRIL              | 0          | 0         | 0         | 0         | 0          | 0         |
| MAY                | 0          | 0         | 0         | 0         | 0          | 0         |
| JUNE               | 0          | 0         | 0         | 0         | 0          | 0         |

|                                 |                 |                |                |          |                            | Commodity        | Demand           | Total            |
|---------------------------------|-----------------|----------------|----------------|----------|----------------------------|------------------|------------------|------------------|
|                                 |                 |                |                |          |                            | DR ACCT          | DR ACCT          | CR ACCT          |
|                                 |                 |                |                |          |                            | 251-100          | 251-100          | 407-302          |
| <b>REFUND CREDITS MADE</b>      |                 |                |                |          |                            |                  |                  |                  |
| <b>Beginning Balance 7/1/99</b> | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| JULY 1999                       | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| AUGUST                          | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| SEPTEMBER                       | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| OCTOBER                         | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| NOVEMBER                        | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| DECEMBER                        | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| JANUARY 2000                    | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| FEBRUARY                        | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| MARCH                           | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| APRIL                           | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| MAY                             | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |
| JUNE                            | 0               | 0              | 0              | 0        | 0                          | 0                | 0                | 0                |
| <b>BALANCE</b>                  | <b>(54,098)</b> | <b>284,244</b> | <b>655,070</b> | <b>0</b> | <b>(430,737) 1,648,073</b> | <b>2,587,387</b> | <b>(484,835)</b> | <b>2,102,552</b> |

|   |
|---|
| <b>ACTUAL COST ADJUSTMENT (ACA)</b><br><b>1999-2000</b><br><b>DETAIL OF ITEMS</b> |
|---|

|                             | <u>Commodity</u> | <u>Demand</u>    | <u>Total</u>                         |
|-----------------------------|------------------|------------------|--------------------------------------|
| ACA 97-98 Balance @ 6/30/00 | 275,433.78       | 20,673.08        | 296,106.86                           |
| ACA 99-00 Balance @6/30/00  | 2,311,952.74     | (505,507.80)     | 1,806,444.94                         |
| <br>Total Balance           | <br>2,587,386.52 | <br>(484,834.72) | <br>2,102,551.80<br>(Under-recovery) |

**CHATTANOOGA GAS COMPANY**  
**REFUND EFFECTIVE: December 1, 2000**

14

**ALLOCATION OF SUPPLIER REFUND TO RATE CLASSIFICATIONS**  
**BASED ON VOLUMES FOR TWELVE MONTHS ENDED SEPT 30, 2000**

| RATE SCHEDULE | Contract      | Annual            | Demand   | Commodity          | TOTAL              | Demand   | Demand   | Commodity  | TOTAL      |
|---------------|---------------|-------------------|----------|--------------------|--------------------|----------|----------|------------|------------|
|               | Demand        | MCF Sales         |          |                    |                    | Per Unit |          |            |            |
| I-1           | 7,699         | 1,208,420         | 0        | (\$35,266)         | (\$35,266)         | \$0 0000 |          | (\$0 0292) | (\$0 0292) |
| L-1           |               | 2,784,926         | 0        | (\$81,273)         | (\$81,273)         |          |          | (\$0 0292) | (\$0 0292) |
| T-2           |               |                   | 0        | \$0                | \$0                | \$0 0000 |          |            |            |
| ALL OTHER     | 61,301        | 7,006,518         | 0        | (\$204,472)        | (\$204,472)        |          | \$0 0000 | (\$0 0292) | (\$0 0292) |
| V-1           |               |                   | 0        | \$0                | \$0                |          | \$0 0000 | \$0 0000   | \$0 0000   |
| <b>TOTAL</b>  | <b>69,000</b> | <b>10,999,864</b> | <b>0</b> | <b>(\$321,011)</b> | <b>(\$321,011)</b> |          |          |            |            |

| DESCRIPTION OF REFUND ITEM | Demand     | Commodity          | TOTAL              |
|----------------------------|------------|--------------------|--------------------|
| 99-00 Supplier Refund      | \$0        | (\$321,011)        | (\$321,011)        |
| <b>TOTAL</b>               | <b>\$0</b> | <b>(\$321,011)</b> | <b>(\$321,011)</b> |

**SCHEDULE OF PURCHASED GAS REFUND BALANCES**

|                    | I-1 & T-2 | I-1        | L-1        | T-1 & T-2 | ALL OTHER           |
|--------------------|-----------|------------|------------|-----------|---------------------|
|                    | Demand    | Commodity  | Commodity  | Commodity | Demand Commodity    |
| Adjustment per MCF | \$0 0000  | (\$0 0292) | (\$0 0292) | \$0 0000  | \$0 0000 (\$0 0292) |
| <b>MCF SALES</b>   |           |            |            |           |                     |
| JULY 1999          | 0         | 0          | 0          | 0         | 0                   |
| AUGUST             | 0         | 0          | 0          | 0         | 0                   |
| SEPTEMBER          | 0         | 0          | 0          | 0         | 0                   |
| OCTOBER            | 0         | 0          | 0          | 0         | 0                   |
| NOVEMBER           | 0         | 0          | 0          | 0         | 0                   |
| DECEMBER           | 0         | 0          | 0          | 0         | 0                   |
| JANUARY 2000       | 0         | 0          | 0          | 0         | 0                   |
| FEBRUARY           | 0         | 0          | 0          | 0         | 0                   |
| MARCH              | 0         | 0          | 0          | 0         | 0                   |
| APRIL              | 0         | 0          | 0          | 0         | 0                   |
| MAY                | 0         | 0          | 0          | 0         | 0                   |
| JUNE               | 0         | 0          | 0          | 0         | 0                   |

| REFUND CREDITS MADE             |          |                 |                 |          |          | Commodity        | Demand           | Total           |
|---------------------------------|----------|-----------------|-----------------|----------|----------|------------------|------------------|-----------------|
|                                 |          |                 |                 |          |          | DR ACCT 251-100  | DR ACCT 251-100  | CR ACCT 407-302 |
| <b>Beginning Balance 7/1/99</b> | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| JULY 1999                       | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| AUGUST                          | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| SEPTEMBER                       | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| OCTOBER                         | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| NOVEMBER                        | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| DECEMBER                        | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| JANUARY 2000                    | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| FEBRUARY                        | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| MARCH                           | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| APRIL                           | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| MAY                             | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |
| JUNE                            | 0        | 0               | 0               | 0        | 0        | 0                | 0                | 0               |
| <b>BALANCE</b>                  | <b>0</b> | <b>(35,266)</b> | <b>(81,273)</b> | <b>0</b> | <b>0</b> | <b>(204,472)</b> | <b>(321,011)</b> | <b>0</b>        |

**CHATTANOOGA GAS COMPANY**  
**REFUND EFFECTIVE: December 1, 2000**

15

**ALLOCATION OF IMCR REFUND TO RATE CLASSIFICATIONS**  
**BASED ON VOLUMES FOR TWELVE MONTHS ENDED SEPT 30, 2000**

| RATE SCHEDULE | Contract Demand | Annual     |           | Commodity | TOTAL       | Demand     |            | Commodity | TOTAL      |
|---------------|-----------------|------------|-----------|-----------|-------------|------------|------------|-----------|------------|
|               |                 | MCF Sales  | Demand    |           |             | Per Unit   | Demand     |           |            |
| I-1           | 7,699           | 1,208,420  | (103,892) | \$0       | (\$103,892) | (\$1 1245) |            | \$0 0000  | \$0 0000   |
| L-1           |                 | 2,784,926  | 0         | \$0       | \$0         |            |            | \$0 0000  | \$0 0000   |
| T-2           |                 |            | 0         | \$0       | \$0         | (\$1 1245) |            |           |            |
| ALL OTHER     | 61,301          | 7,006,518  | (827,207) | \$0       | (\$827,207) |            | (\$0 1181) | \$0 0000  | (\$0 1181) |
| V-1           |                 |            | 0         | \$0       | \$0         |            | \$0 0000   | \$0 0000  | \$0 0000   |
| TOTAL         | 69,000          | 10,999,864 | (931,099) | \$0       | (\$931,099) |            |            |           |            |

| DESCRIPTION OF REFUND ITEM        | Demand      | Commodity | TOTAL       |
|-----------------------------------|-------------|-----------|-------------|
| 99-00 IMCR refund (Off Sys Sales) | (\$931,099) | \$0       | (\$931,099) |
| TOTAL                             | (\$931,099) | \$0       | (\$931,099) |

**SCHEDULE OF PURCHASED GAS REFUND BALANCES**

|                    | I-1 & T-2  | I-1       | L-1       | T-1 & T-2 | ALL OTHER  |
|--------------------|------------|-----------|-----------|-----------|------------|
|                    | Demand     | Commodity | Commodity | Commodity | Demand     |
| Adjustment per MCF | (\$1 1245) | \$0 0000  | \$0 0000  | \$0 0000  | (\$0 1181) |
| MCF SALES          |            |           |           |           |            |
| JULY 1999          | 0          | 0         | 0         | 0         | 0          |
| AUGUST             | 0          | 0         | 0         | 0         | 0          |
| SEPTEMBER          | 0          | 0         | 0         | 0         | 0          |
| OCTOBER            | 0          | 0         | 0         | 0         | 0          |
| NOVEMBER           | 0          | 0         | 0         | 0         | 0          |
| DECEMBER           | 0          | 0         | 0         | 0         | 0          |
| JANUARY 2000       | 0          | 0         | 0         | 0         | 0          |
| FEBRUARY           | 0          | 0         | 0         | 0         | 0          |
| MARCH              | 0          | 0         | 0         | 0         | 0          |
| APRIL              | 0          | 0         | 0         | 0         | 0          |
| MAY                | 0          | 0         | 0         | 0         | 0          |
| JUNE               | 0          | 0         | 0         | 0         | 0          |

|                          |           |   |   |   |           |   | Commodity | Demand    | Total     |
|--------------------------|-----------|---|---|---|-----------|---|-----------|-----------|-----------|
|                          |           |   |   |   |           |   | DR ACCT   | DR ACCT   | CR ACCT   |
|                          |           |   |   |   |           |   | 251-100   | 251-100   | 407-302   |
| REFUND CREDITS MADE      |           |   |   |   |           |   |           |           |           |
| Beginning Balance 7/1/99 | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| JULY 1999                | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| AUGUST                   | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| SEPTEMBER                | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| OCTOBER                  | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| NOVEMBER                 | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| DECEMBER                 | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| JANUARY 2000             | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| FEBRUARY                 | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| MARCH                    | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| APRIL                    | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| MAY                      | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |
| JUNE                     | 0         | 0 | 0 | 0 | 0         | 0 | 0         | 0         | 0         |
| BALANCE                  | (103,892) | 0 | 0 | 0 | (827,207) | 0 | 0         | (931,099) | (931,099) |



CHATTANOOGA GAS COMPANY  
PURCHASED GAS REFUNDS DUE CUSTOMERS  
CALCULATION OF INTEREST  
FY 1999

|           | BEGINNING<br>BALANCE<br>251-100 | SUPPLIER<br>REFUNDS/ADJ. | AMOUNTS<br>RETURNED | E.B BEFORE<br>INTEREST | AVERAGE<br>BALANCE | INTEREST<br>RATE | CURRENT<br>MO. INT.<br>TO RECORD | AMOUNT<br>RECORDED | ADJUSTMENT<br>TO RECORD<br>IN NEXT MONTH | E.B.<br>INCLUDING<br>INTEREST |
|-----------|---------------------------------|--------------------------|---------------------|------------------------|--------------------|------------------|----------------------------------|--------------------|--|-------------------------------|
| OCTOBER   | 243,114                         | 0                        | (53,744)            | 189,370                | 216,242            | 0.7083%          | 1,723                            | 1,723              | 0  | 191,093                       |
| NOVEMBER  | 191,093                         | 0                        | 0                   | 191,093                | 191,093            | 0.7083%          | 1,354                            | 1,354              | 0  | 192,447                       |
| DECEMBER  | 192,447                         | 2,547                    | 0                   | 194,994                | 193,721            | 0.7083%          | 1,372                            | 1,372              | 0  | 196,366                       |
| JANUARY   | 196,366                         | 0                        | 0                   | 196,366                | 196,366            | 0.6808%          | 1,337                            | 1,337              | 0  | 197,703                       |
| FEBRUARY  | 197,703                         | 0                        | 0                   | 197,703                | 197,703            | 0.6808%          | 1,346                            | 1,346              | 0  | 199,049                       |
| MARCH     | 199,049                         | 0                        | 0                   | 199,049                | 199,049            | 0.6808%          | 1,355                            | 1,355              | 0  | 200,404                       |
| APRIL     | 200,404                         | 2,625                    | 0                   | 203,029                | 201,717            | 0.6458%          | 1,303                            | 1,303              | 0  | 204,332                       |
| MAY       | 204,332                         | 0                        | 0                   | 204,332                | 204,332            | 0.6458%          | 1,320                            | 1,320              | 0  | 205,652                       |
| JUNE      | 205,652                         | 0                        | 0                   | 205,652                | 205,652            | 0.6458%          | 1,328                            | 1,328              | 0  | 206,980                       |
| JULY      | 206,980                         | 0                        | (4,344)             | 202,636                | 204,808            | 0.6458%          | 1,323                            | 1,323              | 0  | 203,959                       |
| AUGUST    | 203,959                         | 172,153                  | (5,140)             | 370,972                | 287,466            | 0.6458%          | 1,857                            | 1,857              | 0  | 372,829                       |
| SEPTEMBER | 372,829                         | 0                        | (5,481)             | 367,348                | 370,089            | 0.6458%          | 2,390                            | 2,390              | 0  | 369,738                       |

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CHATTANOOGA GAS COMPANY  
PURCHASED GAS REFUNDS DUE CUSTOMERS  
CALCULATION OF INTEREST  
FY 2000

|           | BEGINNING<br>BALANCE<br>251-100 | SUPPLIER<br>REFUNDS/ADJ | AMOUNTS<br>RETURNED | E B BEFORE<br>INTEREST | AVERAGE<br>BALANCE | INTEREST<br>RATE | CURRENT<br>MO. INT.<br>TO RECORD | AMOUNT<br>RECORDED | Accumulated<br>ADJUSTMENT<br>TO RECORD | E B<br>INCLUDING<br>INTEREST |
|-----------|---------------------------------|-------------------------|---------------------|------------------------|--------------------|------------------|----------------------------------|--------------------|--|------------------------------|
| OCTOBER   | 369,738                         | 6,268                   | (3,795)             | 372,211                | 370,975            | 0.6617%          | 2,646                            | 2,646              | 0                                      | 374,857                      |
| NOVEMBER  | 374,857                         | 0                       | (6,198)             | 368,659                | 371,758            | 0.6617%          | 2,460                            | 2,460              | 0                                      | 371,119                      |
| DECEMBER  | 371,119                         | 0                       | (9,641)             | 361,478                | 366,299            | 0.6617%          | 2,424                            | 40                 | 2,384                                  | 361,518                      |
| JANUARY   | 361,518                         | 0                       | (14,137)            | 347,381                | 354,450            | 0.6908%          | 2,449                            | 2,500              | 2,333                                  | 349,881                      |
| FEBRUARY  | 349,881                         | 0                       | (16,465)            | 333,416                | 341,649            | 0.6908%          | 2,360                            | 2,500              | 2,193                                  | 335,916                      |
| MARCH     | 335,916                         | 0                       | (10,660)            | 325,256                | 330,586            | 0.6908%          | 2,284                            | 2,500              | 1,977                                  | 327,756                      |
| APRIL     | 327,756                         | 1,446                   | (8,106)             | 321,096                | 324,426            | 0.7150%          | 2,320                            | 2,500              | 1,797                                  | 323,596                      |
| MAY       | 323,596                         | 0                       | (7,303)             | 316,293                | 319,944            | 0.7150%          | 2,288                            | 2,500              | 1,585                                  | 318,793                      |
| JUNE      | 318,793                         | 0                       | (5,724)             | 313,069                | 315,931            | 0.7150%          | 2,259                            | 2,500              | 1,344                                  | 315,569                      |
| JULY      | 315,569                         | 0                       | 0                   | 315,569                | 315,569            | 0.7517%          | 2,372                            | 3,382              | 334                                    | 318,951                      |
| AUGUST    | 318,951                         | 0                       | 0                   | 318,951                | 318,951            | 0.7517%          | 2,397                            | 2,060              | 671                                    | 321,011                      |
| SEPTEMBER | 321,011                         | 0                       | 0                   | 321,011                | 321,011            | 0.7517%          | 2,413                            | 2,073              | 1,011                                  | 323,084                      |

**Shattanooga Gas Company**  
**Fifty Percent of Gross Profit Resulting From Off-System Sales**

| Year | Month     | Off-System    |              | Profit       | 50%         |
|------|-----------|---------------|--------------|--------------|-------------|
|      |           | Revenue       | Cost         |              |             |
| 1998 | July      | 0.00          | 0.00         | 0.00         | 0.00        |
|      | August    | 53,405.33     | 46,074.61    | 7,330.72     | 3,665.36    |
|      | September | 43,167.84     | 36,826.94    | 6,340.90     | 3,170.45    |
|      | October   | 92,628.22     | 82,091.19    | 10,537.03    | 5,268.52    |
|      | November  | 677,329.50    | 771,901.13   | (94,571.63)  | (47,285.82) |
|      | December  | 535,278.67    | 542,364.72   | (7,086.05)   | (3,543.02)  |
| 1999 | January   | 547,690.00    | 393,670.86   | 154,019.14   | 77,009.57   |
|      | February  | 387,502.21    | 324,839.81   | 62,662.40    | 31,331.20   |
|      | March     | 405,247.50    | 338,009.85   | 67,237.65    | 33,618.83   |
|      | April     | 0.00          | 0.00         | 0.00         | 0.00        |
|      | May       | 0.00          | 0.00         | 0.00         | 0.00        |
|      | June      | 0.00          | 0.00         | 0.00         | 0.00        |
|      | July      | 189,450.78    | 183,666.64   | 5,784.14     | 2,892.07    |
|      | August    | 40,485.90     | 39,578.00    | 907.90       | 453.95      |
|      | September | 266.00        | 0.00         | 266.00       | 133.00      |
|      | October   | 581,341.49    | 573,893.59   | 7,447.90     | 3,723.95    |
|      | November  | 96,522.66     | 97,479.38    | (956.72)     | (478.36)    |
|      | December  | 665,818.16    | 637,977.42   | 27,840.74    | 13,920.37   |
| 2000 | January   | 912,105.11    | 711,683.35   | 200,421.76   | 100,210.88  |
|      | February  | 674,333.64    | 563,734.27   | 110,599.37   | 55,299.69   |
|      | March     | 658,377.86    | 645,412.80   | 12,965.06    | 6,482.53    |
|      | April     | 150,046.84    | 145,607.69   | 4,439.15     | 2,219.58    |
|      | May       | 279,374.95    | 266,598.94   | 12,776.01    | 6,388.01    |
|      | June      | 546,933.11    | 504,954.69   | 41,978.42    | 20,989.21   |
|      | July      | 2,038,591.26  | 1,022,467.54 | 1,016,123.72 | 508,061.86  |
|      | August    | 1,000,218.88  | 770,591.43   | 229,627.45   | 114,813.73  |
|      | September | 169,998.85    | 147,468.98   | 22,529.87    | 11,264.94   |
|      |           | 10,746,114.76 | 8,846,893.83 | 1,899,220.93 | 949,610.47  |

|                   | DEMAND    |         | COMMODITY   |         | U-D-M-A-N-D |           | COMMODITY   |           | TOTAL     |           |
|-------------------|-----------|---------|-------------|---------|-------------|-----------|-------------|-----------|-----------|-----------|
|                   | I-1 & T-2 |         | I-1         |         | T-1 & T-2   |           | ALL OTHER   |           | DEMAND    |           |
|                   | \$0 0000  |         | (\$0 10350) |         | \$0 0000    |           | (\$0 10350) |           |           |           |
| REFUND CREDIT/MCF |           |         |             |         |             |           |             |           |           |           |
| MCF SALES         |           |         |             |         |             |           |             |           |           |           |
| JULY 1999         | 0         | 0       | 0           | 0       | 0           | 0         | 0           | 0         | 0         | 0         |
| AUGUST            | 0         | 0       | 0           | 0       | 0           | 0         | 0           | 0         | 0         | 0         |
| SEPTEMBER         | 0         | 0       | 0           | 0       | 0           | 0         | 0           | 0         | 0         | 0         |
| OCTOBER           | 0         | 46,748  | 54,283      | 54,283  | 736,278     | 263,229   | 263,229     | 1,100,538 | 263,229   | 1,363,767 |
| NOVEMBER          | 0         | 34,767  | 54,896      | 54,896  | 755,214     | 501,505   | 501,505     | 1,348,482 | 501,505   | 1,849,987 |
| DECEMBER          | 0         | 51,204  | 58,999      | 58,999  | 808,436     | 754,768   | 754,768     | 1,873,405 | 754,768   | 2,628,171 |
| JANUARY 1999      | 0         | 44,060  | 49,228      | 49,228  | 839,476     | 1,464,425 | 1,464,425   | 2,397,190 | 1,464,425 | 3,861,615 |
| FEBRUARY          | 0         | 35,688  | 41,135      | 41,135  | 833,759     | 897,544   | 897,544     | 1,808,128 | 897,544   | 2,705,670 |
| MARCH             | 0         | 37,151  | 37,450      | 37,450  | 978,812     | 1,128,568 | 1,128,568   | 2,179,979 | 1,128,568 | 3,308,545 |
| APRIL             | 0         | 46,163  | 27,108      | 27,108  | 805,475     | 700,158   | 700,158     | 1,578,900 | 700,158   | 2,279,058 |
| MAY               | 0         | 140,135 | 811,397     | 811,397 | 95,867      | 299,588   | 299,588     | 1,146,967 | 299,588   | 1,446,575 |
| JUNE              | 0         | 134,570 | 568,020     | 568,020 | 81,821      | 228,283   | 228,283     | 1,020,694 | 228,283   | 1,248,977 |
| JULY              | 0         | 94,510  | 285,228     | 285,228 | 381,426     | 213,638   | 213,638     | 974,802   | 213,638   | 1,188,440 |
| AUGUST            | 0         | 150,118 | 830,970     | 830,970 | 94,022      | 189,895   | 189,895     | 1,065,005 | 189,895   | 1,254,900 |
| SEPTEMBER         | 0         | 145,868 | 590,918     | 590,918 | 87,084      | 222,505   | 222,505     | 1,046,173 | 222,505   | 1,268,678 |
| OCTOBER           | 0         | 76,776  | 45,400      | 45,400  | 739,012     | 270,253   | 270,253     | 1,131,441 | 270,253   | 1,401,694 |

REFUND CREDITS MADE

|                           |   |          |          |          |   |   |   |             |   |           |
|---------------------------|---|----------|----------|----------|---|---|---|-------------|---|-----------|
| BEGINNING BALANCE 1001/98 |   |          |          |          |   |   |   |             |   |           |
| JULY                      | 0 | 94,138   | 171,871  | 171,871  | 0 | 0 | 0 | 251,110     | 0 | 407,305   |
| BALANCE                   | 0 | 0        | 0        | 0        | 0 | 0 | 0 | (1,088,271) | 0 | 1,088,271 |
| AUGUST                    | 0 | 94,136   | 171,871  | 171,871  | 0 | 0 | 0 | (1,088,271) | 0 | 1,088,271 |
| BALANCE                   | 0 | 0        | 0        | 0        | 0 | 0 | 0 | 0           | 0 | 0         |
| SEPTEMBER                 | 0 | 94,138   | 171,871  | 171,871  | 0 | 0 | 0 | (1,088,271) | 0 | 1,088,271 |
| BALANCE                   | 0 | 0        | 0        | 0        | 0 | 0 | 0 | 0           | 0 | 0         |
| OCTOBER                   | 0 | 94,138   | 171,871  | 171,871  | 0 | 0 | 0 | (1,088,271) | 0 | 1,088,271 |
| BALANCE                   | 0 | (4,838)  | (5,618)  | (5,618)  | 0 | 0 | 0 | 37,700      | 0 | (37,700)  |
| NOVEMBER                  | 0 | 98,974   | 177,489  | 177,489  | 0 | 0 | 0 | (1,050,571) | 0 | 1,050,571 |
| BALANCE                   | 0 | (3,598)  | (5,692)  | (5,692)  | 0 | 0 | 0 | 61,198      | 0 | (61,198)  |
| DECEMBER                  | 0 | 102,572  | 183,181  | 183,181  | 0 | 0 | 0 | (989,375)   | 0 | 989,375   |
| BALANCE                   | 0 | (5,300)  | (8,106)  | (8,106)  | 0 | 0 | 0 | 89,524      | 0 | (89,524)  |
| JANUARY 1999              | 0 | 107,872  | 189,287  | 189,287  | 0 | 0 | 0 | (899,851)   | 0 | 899,851   |
| BALANCE                   | 0 | (4,560)  | (5,095)  | (5,095)  | 0 | 0 | 0 | 181,223     | 0 | (181,223) |
| FEBRUARY                  | 0 | 112,432  | 184,382  | 184,382  | 0 | 0 | 0 | (738,628)   | 0 | 738,628   |
| BALANCE                   | 0 | (3,694)  | (4,257)  | (4,257)  | 0 | 0 | 0 | 100,847     | 0 | (100,847) |
| MARCH                     | 0 | 116,128  | 198,639  | 198,639  | 0 | 0 | 0 | (637,781)   | 0 | 637,781   |
| BALANCE                   | 0 | (3,845)  | (3,876)  | (3,876)  | 0 | 0 | 0 | 124,321     | 0 | (124,321) |
| APRIL                     | 0 | 119,971  | 202,515  | 202,515  | 0 | 0 | 0 | (513,460)   | 0 | 513,460   |
| BALANCE                   | 0 | (4,776)  | (2,805)  | (2,805)  | 0 | 0 | 0 | 80,049      | 0 | (80,049)  |
| MAY                       | 0 | 124,749  | 205,320  | 205,320  | 0 | 0 | 0 | (433,411)   | 0 | 433,411   |
| BALANCE                   | 0 | (14,504) | (63,280) | (63,280) | 0 | 0 | 0 | 108,791     | 0 | (108,791) |
| JUNE                      | 0 | 139,253  | 288,600  | 288,600  | 0 | 0 | 0 | (324,620)   | 0 | 324,620   |
| BALANCE                   | 0 | (13,928) | (58,583) | (58,583) | 0 | 0 | 0 | 96,138      | 0 | (96,138)  |
| JULY                      | 0 | 153,181  | 327,183  | 327,183  | 0 | 0 | 0 | (228,482)   | 0 | 228,482   |
| BALANCE                   | 0 | (9,782)  | (29,521) | (29,521) | 0 | 0 | 0 | 61,415      | 0 | (61,415)  |
| AUGUST                    | 0 | 162,963  | 358,704  | 358,704  | 0 | 0 | 0 | (187,087)   | 0 | 187,087   |
| BALANCE                   | 0 | (15,537) | (65,305) | (65,305) | 0 | 0 | 0 | 100,496     | 0 | (100,496) |
| SEPTEMBER                 | 0 | 178,500  | 422,009  | 422,009  | 0 | 0 | 0 | (88,571)    | 0 | 88,571    |
| BALANCE                   | 0 | (15,076) | (61,160) | (61,160) | 0 | 0 | 0 | 99,285      | 0 | (99,285)  |
| OCTOBER                   | 0 | 193,578  | 483,169  | 483,169  | 0 | 0 | 0 | 32,694      | 0 | (32,694)  |
| BALANCE                   | 0 | (7,946)  | (4,695)  | (4,695)  | 0 | 0 | 0 | 40,616      | 0 | (40,616)  |
| BALANCE                   | 0 | 201,522  | 487,888  | 487,888  | 0 | 0 | 0 | 73,310      | 0 | (73,310)  |

( ) = Credit to account

**Chattanooga Gas Company**  
**Interruptible Margin Credit Rider Filing**  
**For Period From August 1, 1998 Through September 30, 2000**

|  |                   |
|--|-------------------|
| Fifty Percent (50%) of Gross Profit Margin Resulting from<br>Off-System Sales of Gas & LNG | 949,610.47        |
| Balance carry forward from 2/1/96 to 7/31/98 IMCR Filing                                   | (73,310.00)       |
| Interest   | 54,798.14         |
| Total Interruptible Margin Credit Adjustment   | <u>931,098.60</u> |

**Attachment N**

Chattanooga Gas Company  
Off-System Sales

Filed November 17, 2000  
Off-System Sales

| Year | Month     | Revenue                | Cost                   | Profit               | 50%         |
|------|-----------|------------------------|------------------------|----------------------|-------------|
| 1998 | July      | \$ -                   | \$ -                   | \$ -                 | \$ -        |
|      | August    | 53,405 33              | 46,074 61              | 7,330 72             | 3,665 36    |
|      | September | 43,167 84              | 36,826 94              | 6,340 90             | 3,170 45    |
|      | October   | 92,628 22              | 82,091 19              | 10,537 03            | 5,268 52    |
|      | November  | 677,329 50             | 771,901 13             | (94,571 63)          | (47,285 82) |
|      | December  | 535,278 67             | 542,364 72             | (7,086 05)           | (3,543 02)  |
| 1999 | January   | 547,690 00             | 393,670 86             | 154,019 14           | 77,009 57   |
|      | February  | 387,502 21             | 324,839 81             | 62,662 40            | 31,331 20   |
|      | March     | 405,247 50             | 338,009 85             | 67,237 65            | 33,618 83   |
|      | April     | -                      | -                      | -                    | -           |
|      | May       | -                      | -                      | -                    | -           |
|      | June      | -                      | -                      | -                    | -           |
|      |           | <u>\$ 2,742,249 27</u> | <u>\$ 2,535,779 11</u> | <u>\$ 206,470 16</u> |             |

Customer Share

\$ 103,235 08

|      |           |                 |                 |               |            |
|------|-----------|-----------------|-----------------|---------------|------------|
|      | July      | 189,450 78      | 183,666 64      | 5,784 14      | 2,892 07   |
|      | August    | 40,485 90       | 39,578 00       | 907 90        | 453 95     |
|      | September | 266 00          | -               | 266 00        | 133 00     |
|      | October   | 581 341 49      | 573,893 59      | 7,447 90      | 3,723 95   |
|      | November  | 96,522 66       | 97 479 38       | (956 72)      | (478 36)   |
|      | December  | 665,818 16      | 637,977 42      | 27,840 74     | 13,920 37  |
| 2000 | January   | 912 105 11      | 711 683 35      | 200,421 76    | 100,210 88 |
|      | February  | 674,333 64      | 563,734 27      | 110 599 37    | 55 299 69  |
|      | March     | 658,377 86      | 645,412 80      | 12,965 06     | 6,482 53   |
|      | April     | 150,046 84      | 145,607 69      | 4 439 15      | 2 219 58   |
|      | May       | 279,374 95      | 266,598 94      | 12,776 01     | 6,388 01   |
|      | June      | 546,933 11      | 504,954 69      | 41,978 42     | 20,989 21  |
|      |           | \$ 4,795,056 50 | \$ 4,370,586 77 | \$ 424,469 73 |            |

\$ 212,234 87

\$ 315,469 95 Total July 1, 1998-June 2000  
24 Months  
\$ 13,144 58 AVG Per Month July 1, 1999-  
June 2000  
12 Months  
\$ 157,734 97 Annual Average

|           |                       |                        |                        |                        |
|-----------|-----------------------|------------------------|------------------------|------------------------|
| July      | \$ 2,038,591 26       | \$ 1,022,467 54        | \$ 1,016,123 72        | \$ 508,061 86          |
| August    | 1,000,218 88          | 770,591 43             | 229,627 45             | 114 813 73             |
| September | 169,998 85            | 147,468 98             | 22,529 87              | 11,264 94              |
| Adj 09/00 | (1 000) \$ (4,797 50) | \$ (4,757 06)          | \$ (40 44)             | \$ (20 22)             |
| October   | 8,215                 | 44,934 41              | 44,512 53              | 421 68                 |
| November  | 301,969               | 1,441,601 42           | 1,400,442 57           | 41,158 85              |
| December  | 86,632                | 578 000 24             | 512,165 84             | 65,834 60              |
| January   | 37,635                | 416,996 27             | 380,411 35             | 36,584 92              |
| February  | 204 425               | 1,361,490 71           | 1,173,541 28           | 187,949 43             |
| March     | 229,321               | 1,242 677 78           | 1,031,720 37           | 210,957 41             |
| April     | 75,000                | 421,672 50             | 414 258 30             | 7,414 20               |
|           | <u>942,197</u>        | <u>\$ 8,711,384 82</u> | <u>\$ 6,892,822 93</u> | <u>\$ 1,818,561 89</u> |

\$ 909,280 95

\$2,449,501 78

\$1,224,750 89 Total July 1998-April 2001

\$ 508 061 86 Exclude July 2000  
\$ 716,689 03 Total July 1998-April 2001  
Excluding July 2000

\$ 21,717 85 AVG Per Month July 1998-April  
2001 Excluding July 2000  
12 Months  
\$ 260,614 19 Annualized

## **Attachment O**



Chattanooga Gas Company  
ACA for Twelve Months Ended June 30, 2003  
Response to Audit Report  
Comparison of VNG, and AGLC Sharing 2002 and 2003 and Bailment Payment

Schedule 1

|  |               |
|--|---------------|
| Chattanooga Gas Company Bailment Payment 2002  | \$ 300,000    |
| Chattanooga Gas Company 2002 Payment Recomputed<br>Based on VNG 2002/2003 Gain to be shared            | \$ 373,248 a/ |
| Chattanooga Gas Company 2002 Payment Recomputed<br>Based on AGLC 2002 Settlement and /2003 Gain shared | \$ 268,588 b/ |

a/ Schedule 2

b/ Schedule 3

Chattanooga Gas Company  
ACA for Twelve Months Ended June 30, 2003  
Response to Audit Report  
Recomputation of CGC Bailment Payment Based on VNG Sharing 2002/2003

Schedule 2

Line

|   |                 |    |
|---|-----------------|----|
| 1 VNG Total Gain Subject to Sharing 2002        | \$ 1,402,487 96 | a/ |
| 2 VNG Total Gain Subject to Sharing 2003        | \$ 4,744,429 25 | b/ |
| 3 VNG 2002 Sharing as % of 2003 Sharing (L1/L2) | 29 6%           |    |
| 4 Chattanooga Sharing 2003                      | \$ 1,260,974    |    |
| 5 (L 3 X L 4)                                   | \$ 373,248      |    |

a/ Schedule 2 A Line 13

b/ Schedule 2 A Line 26

Chattanooga Gas Company  
ACA for Twelve Months Ended June 30, 2003  
Response to Audit Report  
Recomputation of CGC Bailment Payment Based on VNG Sharing 2002/2003

Schedule 2 A

**VNG Gain to be Shared**

| Line |            | Monthly<br>Accrued<br>Value | Monthly<br>Capacity<br>Release |    | Total        |    |
|------|------------|-----------------------------|--------------------------------|----|--------------|----|
| 1    | Jan-02     | \$ 292,288                  | \$ 43,806                      | a/ | \$ 336,094   | a/ |
| 2    | Feb-02     | 160,643                     | 44,114                         | a/ | 204,757      | a/ |
| 3    | Mar-02     | 129,576                     | 44,114                         | a/ | 173,690      | a/ |
| 4    | Apr-02     | 160,507                     | 44,100                         | a/ | 204,607      | a/ |
| 5    | May-02     | 193,081                     | 44,100                         | a/ | 237,181      | a/ |
| 6    | Jun-02     | 206,546                     | 44,100                         | a/ | 250,646      | a/ |
| 7    | Jul-02     | 172,319                     | 44,100                         | a/ | 216,419      | a/ |
| 8    | Aug-02     | 150,492                     | 44,100                         | a/ | 194,592      | a/ |
| 9    | Sep-02     | 223,860                     | 44,100                         | a/ | 267,960      | a/ |
| 10   | Oct-02     | 240,725                     | 44,100                         | a/ | 284,825      | a/ |
| 11   | Nov-02     | 216,577                     | -                              | h/ | 216,577      | b/ |
| 12   | Dec-02     | 217,628                     | -                              | h/ | 217,628      | b/ |
| 13   | Total 2002 | \$ 2,364,242                | \$ 440,734                     |    | \$ 2,804,976 |    |
|      |            |                             | % Shared                       |    | 50%          |    |
|      |            |                             | Amount Shared                  |    | \$ 1,402,488 |    |
| 14   | Jan-03     | \$ 6,688,964                | \$ -                           | e/ | \$ 6,688,964 |    |
| 15   | Feb-03     | 2,373,149                   | -                              | e/ | 2,373,149    |    |
| 16   | Mar-03     | (1,086,139)                 | -                              | e/ | (1,086,139)  |    |
| 17   | Apr-03     | 526,763                     | -                              | f/ | 526,763      |    |
| 18   | May-03     | 347,145                     | -                              | f/ | 347,145      |    |
| 19   | Jun-03     | 591,306                     | -                              | f/ | 591,306      |    |
| 20   | Jul-03     | (432,796)                   | -                              | g/ | (432,796)    |    |
| 21   | Aug-03     | (426,073)                   | -                              | g/ | (426,073)    |    |
| 22   | Sep-03     | (482,702)                   | -                              | g/ | (482,702)    |    |
| 23   | Oct-03     | 398,760                     | -                              | d/ | 398,760      |    |
| 24   | Nov-03     | 82,273                      | -                              | d/ | 82,273       |    |
| 25   | Dec-03     | 886,986                     | 21,223                         | d/ | 908,209      |    |
| 26   | Total 2003 | \$ 9,467,635                | \$ 21,223                      |    | \$ 9,488,858 |    |
|      |            |                             | % Shared                       |    | 50%          |    |
|      |            |                             | Amount Shared                  |    | \$ 4,744,429 |    |

27 VNG 2002 amount to be shared as % of 2003 amount to be shared (L13/L26) 29 56%

- a/ VNG Sharing Report October - December 2002 Exhibit 7a
- b/ VNG Sharing Report October - December 2003 Exhibit 7a
- c/ VNG Sharing Report October - December 2003 Exhibit 7b
- d/ VNG Sharing Report October - December 2003 Exhibit 4
- e/ VNG Sharing Report January - March 2003 Exhibit 4
- f/ VNG Sharing Report April-June 2003 Exhibit 4
- g/ VNG Sharing Report July-Sept 2003 Exhibit 4
- h/ VNG Sharing Report October - December 2002 Exhibit 4

Chattanooga Gas Company  
ACA for Twelve Months Ended June 30, 2003  
Response to Audit Report  
Recomputation of CGC Bailment Payment Based on AGLC Sharing 2002/2003

Schedule 3

Line

|  |                    |         |
|--|--------------------|---------|
| 1 AGLC Sharing 2002 (Audit by GPSC)              | \$ 996,123         | Line 15 |
| 2 AGLC Sharing 2003                              | \$4,681,076        | Line 20 |
| 3 AGLC 2002 Sharing as % of 2003 Sharing (L1/L2) | 21 3%              |         |
| 4 Chattanooga Sharing 2003                       | <u>\$1,260,974</u> |         |
| 5 (L 3 X L 4)                                    | <u>\$ 268,588</u>  |         |

|   |                |              |                          |    |
|---|----------------|--------------|--------------------------|----|
| 6 Flexibility Fees 3/1999-3/2001                    | \$4,512,352 85 | % Shared 50% | USF Share \$2,256,176 43 | a/ |
| 7 Capacity asset valuations 5/2001-12/2002          | \$ 166,020 52  | /month       |                          | a/ |
| 8 Number of Months May 2001-Dec 2002                |                | 20 months    |                          |    |
| 9 Total Capacity Release 5/2001-12/2002 (L 7 X L 8) | \$3,320,410 40 | 50%          | \$1,660,205 20           |    |
| 10 Total USF Share included in Order 3/1999-12/2002 |                |              | <u>\$3,916,381 63</u>    | a/ |

Amount Applicable to 2002

|   |                       |           |                      |    |
|---|-----------------------|-----------|----------------------|----|
| 11 Flexibility Fees 3/1999-3/2001           | \$ -                  | 50%       | \$ -                 | b/ |
| 12 Capacity Asset valuations 5/2001-12/2002 | \$ 166,020 52         | /month    |                      | a/ |
| 13 Months 1/1/2002-12/31/2002               |                       | 12 months |                      |    |
| 14 Total Capacity Asset Valuation 2002      | <u>\$1,992,246 24</u> | 50%       | \$ 996,123 12        |    |
| 15 Total Settlement applicable to 2002      |                       |           | <u>\$ 996,123 12</u> |    |

|                              |                     |    |
|------------------------------|---------------------|----|
| 16 AGLC Sharing 2003         | \$ 4,609,418        | c/ |
| 17 Add Back Programming cost | <u>71,658</u>       | e/ |
| 18 Total Sharing 2003        | <u>\$ 4,681,076</u> | c/ |

- a/ Georgia Public Service Commission Order Docket 16193, Dec 24, 2002, page 3, paragraph 3  
Georgia Public Service Commission Order Docket 16193, Dec 24, 2002, page 3, paragraph 3 and "Audit Report  
Concerning Atlanta Gas Light Company's Universal Service Fund", Prepared by Richard W LeLash,
- b/ October, 2002 Schedule 3, Page 6 of 6
- c/ June 15, 2004 AGLC Filing with GPSC for Twelve Months Ended December 31, 2003
- d/ Revision to Feb 17, 2004 AGLC Filing with GPSC for Twelve Months Ended December 31, 2003 filed June 15, 2004
- e/ June 15, 2004 AGLC Filing with GPSC for Twelve Months Ended December 31, 2003 (Trade Secret Version)

## Attachment P

# TENNESSEE REGULATORY AUTHORITY

RECEIVED

Deborah Taylor Tate, Chairman  
Pat Miller, Director  
Sara Kyle, Director  
Ron Jones, Director




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460 James Robertson Parkway  
Nashville, Tennessee 37243-0505  
T.R.A. DOCKET ROOM

## MEMORANDUM

**TO:** Deborah Taylor Tate, Chairman  
Sara Kyle, Director  
Ron Jones, Director

**FROM:** Hal Novak, Chief   
Energy and Water Division

**DATE:** June 23, 2004

**REFERENCE:** Docket No. 03-00516 – TENNESSEE REGULATORY AUTHORITY'S  
AUDIT OF CHATTANOOGA GAS COMPANY'S ACTUAL COST  
ADJUSTMENT FILING (ACA) FOR THE PERIOD ENDING JUNE 30,  
2003 **Notice of Conflict**

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On June 4, 2004, the Compliance Staff of the Energy & Water Division filed its audit report in this docket on the results of Chattanooga Gas Company's ACA for the twelve months ended June 30, 2003. Because of my prior association with Chattanooga Gas Company during this audit period, I am excusing myself from participation as an advisor or a party in this matter. Specifically, I was involved in discussions with the TRA Staff on the Company's behalf as it relates to Finding #3 contained in the Compliance Staff's Audit Report. Because the information resulting from these discussions is now under dispute, I believe that it would be inappropriate for me to advise members of the panel assigned to this docket. In my place, Butch Phillips will serve as the technical advisor for you in this matter.

I have discussed this matter with the Legal Division. If you should have any further questions regarding this particular memorandum, please let me know.

c: Docket No 03-00516  
Pat Miller  
Richard Collier  
Aster Adams  
Eddie Roberson  
Randall Gilliam  
Greg Mitchell  
Butch Phillips  
Senior Policy Advisors

03-00316 Notice of Conflict